

# **CITY OF HUNTSVILLE, ALBAMA**



**HUNTSVILLE**

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Tommy Battle  
Mayor

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT 2009**

**Fiscal Year Ended  
September 30, 2009**

**Prepared by  
Finance Department**

**CITY OF HUNTSVILLE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
 SEPTEMBER 30, 2009

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CITY OF HUNTSVILLE  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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# **INTRODUCTORY SECTION**



# HUNTSVILLE

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Tommy Battle  
Mayor

April 30, 2010

The Honorable Tommy Battle, Mayor,  
Members of the City Council, and  
Citizens of Huntsville  
City of Huntsville, Alabama

Honorable Mayor and Council, and Citizens:

This Comprehensive Annual Financial Report of the City of Huntsville, Alabama, for the fiscal year ended September 30, 2009, is hereby presented to you. This report has been prepared to summarize the financial results of the City's operations in 2009, and assist you in assessing its financial condition. Many people and organizations will receive this report and it is very important to the management of the City's financial affairs.

This report consists of management's representations concerning City finances and, consequently, management is fully responsible for its completeness and reliability. To provide a reasonable basis for making these representations, management has established a city-wide internal control system that is designed to protect the City's assets from loss, theft, or misuse, and assist management to produce reliable financial information. Because the cost of internal controls should not outweigh their benefits, the City's system is intended to provide reasonable, not absolute, assurance that the City's financial statements are materially accurate. Our positions as Finance Director and Clerk-Treasurer give us primary responsibility for City financial matters, and we assert that to the best of our knowledge and belief that this report is complete and reliable in all material respects.

State law requires an annual audit of the City's financial statements by independent certified public accountants who must conduct the audit in accordance with generally accepted auditing standards. Beason & Nalley, Inc., a certified public accounting firm in Huntsville, conducted the audit and their report on the City's basic financial statements is included herein. [It contains an "unqualified opinion," commonly known as a "clean opinion," regarding the City's financial statements, meaning the auditors have concluded the City's financial statements are fairly presented in conformity with generally accepted accounting principles.](#) Also, the City is required by federal law to conduct a "Single Audit," or audit of the City's compliance with the requirements of federal grants it has received. The auditors are required to report on the adequacy of the City's internal controls and the City's compliance with legal requirements, and they have issued their reports to City management.

The Star of Alabama

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Mayor Tommy Battle  
Members of the City Council  
April 30, 2010

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found on page 13.

### **Profile of the Government**

The City was incorporated on December 9, 1811 and is operated under a Mayor-Council form of government. The City currently has a land area of 208 square miles and a population of approximately 178,000. The City is empowered to levy taxes on real and personal property and to extend its corporate limits through annexation.

Policy making and legislature authority are vested in a five-member city council who are, among other things, responsible for passing local ordinances, adopting budgets, appointing committees and board members of related organizations and approving the appointment of department heads. The Mayor is responsible for carrying out the policies and ordinances of the City Council, supervising the operations of the City, and appointing department heads. The Mayor and Council members are elected to four-year staggered terms with elections every two years for three of the six positions. All council members are elected from within their respective districts.

The City provides a full range of services through its various departments. Several important public services are provided by organizations for which the City has some legal oversight responsibility. The Huntsville Public Library, Art Museum, Alabama Constitution Village Museums, Burritt Museum, Public Building Authority, Huntsville Tennis Center, Von Braun Center and Benton H. Wilcoxon Municipal Iceplex were established by the City to be managed by separate boards, but because the City has some financial and legal responsibility for their operations, they are included in the City's financial statements. Also, the Huntsville Utilities Electric, Gas and Water Systems, the Huntsville/Madison County Convention & Visitors' Bureau, and the Downtown Redevelopment Authority, are included in the City's financial statements because of the City's oversight responsibilities, although they are legally separate entities.

The annual budget serves as the foundation for the City's financial planning and control. The Mayor is required to submit a budget proposal to the City Council for most of the City's departments and funds by September 1 of each fiscal year. The Council, after public comment and evaluation, must adopt a balanced operating budget by the beginning of the fiscal year each October 1. The budget is adopted by fund, department (e.g. urban development), division (e.g. engineering), activity (personnel, operating and capital), and object (e.g. salaries). For funds which include the City's the operating departments (e.g. General Fund), the Mayor and department heads are authorized to make budget transfers within departments' objects, but the Council must approve transfers between activities and funds. [Comparisons of department and fund budgets to actual amounts are provided in this report on pages 33, 34, 83 through 91, and 96 through 100.](#)

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. Many factors affect the City's financial strength and operations, including the national economy, spending by the large federal agencies based in Huntsville, local economic development, quality of local education systems, and effectiveness of City management in its use of resources.

Mayor Tommy Battle  
Members of the City Council  
April 30, 2010

### Economic conditions

The national economy began to expand in 2005, and our economy benefited from this. [The City's aggressive economic development efforts have had a significant effect on City revenues, as well as promoting revenue stability through business diversification and residential growth.](#) Because of these factors, City revenues increased at the high rates until early 2009. The national recession that began in 2008 affected local conditions in the spring of 2009, and City revenues first stagnated, then decreased, and have somewhat stabilized in early 2010. Lower consumer spending and a construction industry decline have decreased sales tax collections, and interest earnings have dropped significantly due to lower investment rates. The unemployment rate is an economic indicator, and while local rates are rising because of the recession, Madison County's rate is less than the state and national figure, which is a positive sign for local business conditions and job opportunities for people in the workforce region. The median family income of Huntsville residents still exceeds national and state figures.

City revenues are vulnerable to economic shifts that significantly effect consumer spending because consumption taxes (e.g. sales tax) are a substantial part of total revenue, so diversification of our major tax bases is critical. City economic development efforts and sustained federal spending in 2009 helped offset some of the U.S. recession effects, but revenues remain somewhat volatile because of our sales tax reliance.

A significant factor in the City's recent development efforts has been the establishment of tax increment financing districts (TIFs) by the City. The TIF projects funded by the City, all of which are complete (except for the new TIF 4), have stimulated diversified business and residential developments that are estimated to eventually exceed \$2 billion in value. The significant development of property in these districts has also increased tax collections well in excess of projected amounts, lessening the City's risk with regard to debt issued for TIF projects. The emphasis on retail business incentives has resulted in an increase of consumer spending in the City and growth in tax revenues. Also, because the quality of the Huntsville City Schools is paramount in attracting residents to the City, which in turn helps grow property values, the Mayor and Council included projects in the TIFs that will facilitate \$132 million in school construction and improvements when all are complete (total for City and schools).

[The local economic outlook for upcoming years appears positive, but serious near-term financial challenges exist because of the recession and its affect on city resources. City managers already note fairly aggressive growth in the demand for public services, and given this reality, operating and spending requirements will continue to exert significant pressure on budgetary resources. City leaders must continue to be intentional and conservative when planning, and exercise strong prioritization of spending in 2010 and 2011 because of budgetary constraints.](#)

### Management of City Resources

**Long-term capital planning.** Much of the City's growth and vitality depend on public infrastructure, and the Mayor and Council continue to plan comprehensively for development and maintenance of this expensive asset. The ten-year capital improvement plan establishes spending priorities and identifies funding needs, primarily long-term debt, and is updated every year. Spending in the plan is limited within estimated future revenues based on conservative rates of growth. Additional reserves have been established in the capital plan to provide additional protection from budget shortfalls related to the TIF districts, if they occur.

The City has aggressively cultivated partnerships with state and federal agencies and as a result, a significant number of local road projects include some state and federal funding. Several overpasses are complete or under construction on Memorial Parkway, as are many other roads for which state and federal money is paying a significant part. The first phase of Governors Drive widening is complete, and

Mayor Tommy Battle  
Members of the City Council  
April 30, 2010

the City used its own resources for this state highway that is critical to our transportation system. Significant drainage and road work in the downtown area is mostly complete, as is the new downtown public safety building. Strong demand for City property in Cummings Research Park West will lead to completion of the park's roads, and the significant new business developments there, especially the Hudson-Alpha Institute for Biotechnology, will serve to further enhance the City's business reputation as a high-technology center.

**Long-term debt management.** Most of the City's capital and schools construction projects are financed with long-term debt, and managing debt size and complexity within available revenues requires careful long-term planning. The ten-year capital plan provides the framework for managing existing debt for current and upcoming capital projects, but the capital plan also considers a twenty-year horizon for achieving the goal of paying for more projects without debt beginning in about 2012, thus reducing interest costs significantly. Since capital spending pressure will remain very high, accomplishing this ambitious goal means City leaders must exercise considerable discipline to avoid increasing the capital spending plan in the near-term. [If this can be accomplished over the next few years, long-term capital funding will increase significantly and remain that way for many years.](#)

In 2009, the City mostly spent funds borrowed in prior years, and issued new debt in February 2009 for new capital projects.

A significant factor in assessing the economic health of the City of Huntsville, and the City's finances, is the credit rating assigned by credit rating agencies, because of their in-depth review of economic conditions and City financial performance. [Standard & Poor's Rating Services increased its credit rating to AAA in early 2009, the first and only ever in the State of Alabama, and an uncommon rating among U.S. cities.](#) The Moody's Investors Service, Inc. rating is also a commendable Aa1. These ratings were achieved during a period in which the City is managing economic struggles while maintaining an aggressive economic development plan. The manner in which city leaders respond to our current economic challenges will be a critical factor in maintaining these high ratings.

**General Fund reserves.** The fund balance of the General Fund must be maintained at a level such that the City has adequate working capital and can respond to unexpected financial shocks. Management's goal is to maintain an undesignated fund balance of at least 11.5 percent of total budgeted expenditures, but the 2009 budget included a planned drawdown from this reserve of about \$4.6 million. Because local economy activity decreased more than 2009 budget expectations, more expenditures were curtailed to minimize the impact on our reserves. The planned drawdown of this reserve in 2010 is significant at \$14.8 million, and budgetary decisions from now through 2012 will be more challenging than ever before.

**Cash management.** The City's investment policy intends to maximize earnings while protecting cash assets. The City invests conservatively, and only in certificates of deposit, money market accounts, and Federal securities.

**Operational efficiency.** Mayor Battle has continually challenged all city departments to improve their operations and the quality of citizen services. Financial challenges remain high due to increasing demand for public services and new infrastructure as the city grows more rapidly than in recent years.

**Financial and risk management.** Sound financial management practices are a very important part of the City meeting its obligation for public services. The city is regarded for conservative financial management amidst its financial challenges. Maintaining these practices will require careful prioritization of spending desires.

**Pension and other postemployment benefits.** The cost of providing benefits to City retirees is a significant commitment of current and future resources. The City provides pension benefits through the

Mayor Tommy Battle  
Members of the City Council  
April 30, 2010

Retirement Systems of Alabama plan, and is responsible for funding 100 percent of benefit costs after mandatory employee contributions and plan earnings. The City has met all of its obligations and incorporates the effect of expected benefit cost increases in making annual budget decisions. Information about the retirement plans is found on pages 75 through 77 of this report. [It is important to note that benefit increases granted to retirees in recent years, plus a serious decline in investment rates, will increase the cost of retirement benefits in upcoming years, which will likely be significant.](#)

Also, given the increasing cost of health care and the number of employees eligible to retire, management of retiree benefits must be very intentional and consider all issues to help provide balance between retiree benefits and other financial obligations of the City.

#### Awards and Acknowledgements

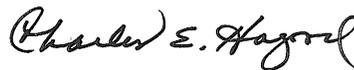
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2008, as it has for the past sixteen years. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. The Certificate of Achievement is valid for a period of one year only. Management believes that this report conforms to GFOA's requirements and is submitting it for consideration of another award.

The staff of the Finance Department assisted in the preparation of this report. We appreciate their hard work and the support of the Mayor and City Council members, whose commitment to good financial stewardship makes our financial success possible.

Respectfully,



Randall E. Taylor, CPA, CGFO  
Finance Director



Charles E. Hagood, CMC  
Clerk-Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Huntsville  
Alabama

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

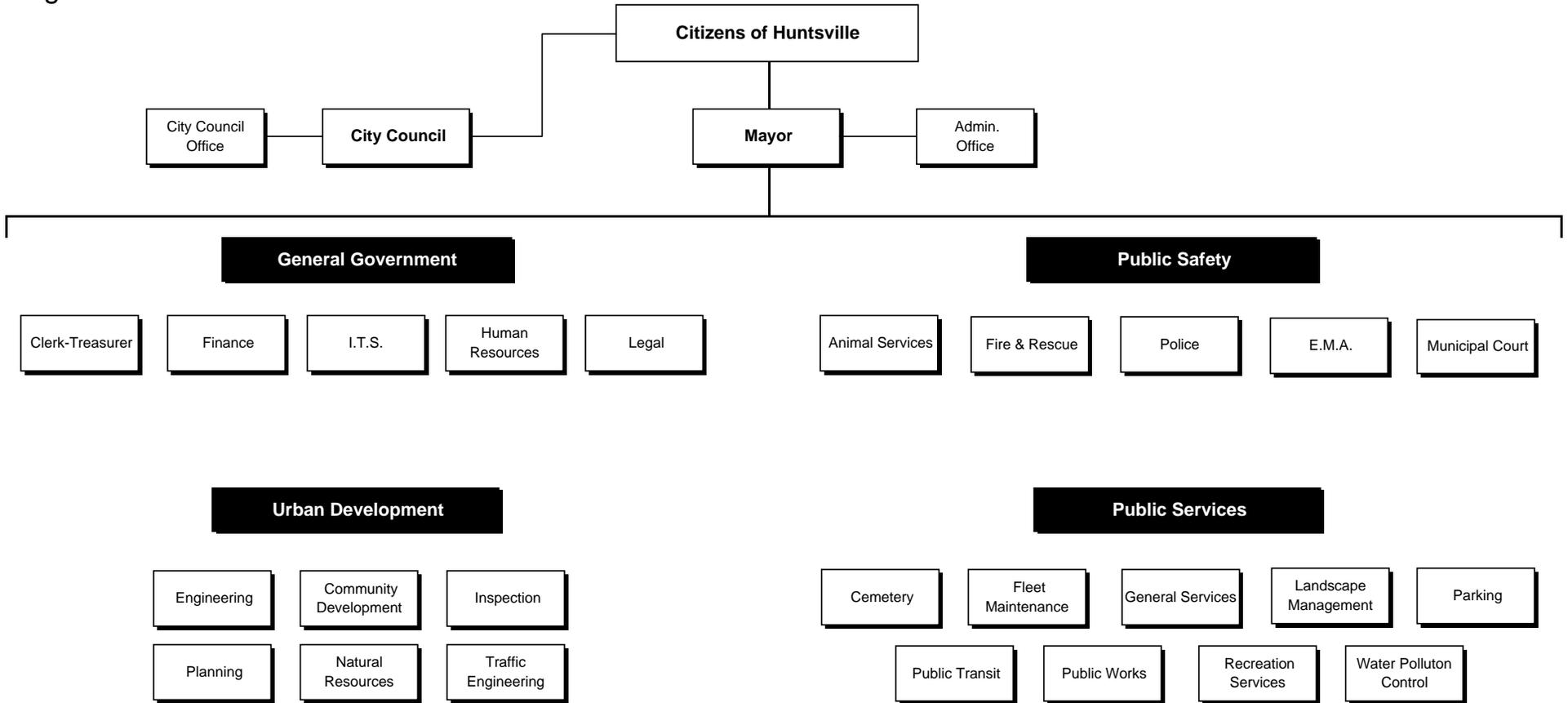


President

Executive Director

# City of Huntsville

## Organizational Structure



CITY OF HUNTSVILLE  
ELECTED OFFICIALS  
September 30, 2009

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MAYOR

Honorable Tommy Battle

TERM OF OFFICE

November 2008 – 2012

CITY COUNCIL MEMBERS

District 1 - Richard Showers

Term Expires 2012

District 2 - Mark Russell

Term Expires 2010

District 3 - Sandra Moon

Term Expires 2010

District 4 - Bill Kling

Term Expires 2010

District 5 - Will Culver

Term Expires 2012

# **FINANCIAL SECTION**



## Independent Auditor's Report

The Honorable Mayor and Members  
of the City Council  
City of Huntsville  
Huntsville, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Huntsville, Alabama (the City) as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Huntsville's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Huntsville Electric, Natural Gas, and Water Systems (Huntsville Utilities), and the Huntsville/Madison County Convention and Visitors Bureau, which are component units of the City, or the financial statements of the Public Library Special Revenue Fund, the Huntsville Museum of Art - Board Special Revenue Fund, the Von Braun Center Enterprise Fund, and the Municipal Iceplex Enterprise Fund. Those financial statements represent 99.9% of the total assets, and 100% of the revenues of the discretely presented component units; 3.8% of the total assets and 6.6% of the revenues of the special revenue funds; and 17.2% of the total assets and 19.7% of the operating revenues of the enterprise funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Huntsville Museum of Art - Board Special Revenue Fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

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Huntsville, Alabama  
35801-4829

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(800) 416-1946  
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In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Huntsville, Alabama, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and The Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis beginning on page 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huntsville's basic financial statements. The introductory section, supplementary information and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2010 on our consideration of the City of Huntsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Deason Valley, Inc." with a stylized flourish at the end.

Huntsville, Alabama

April 30, 2010



# HUNTSVILLE

Tommy Battle  
Mayor

## Management's Discussion and Analysis

As management of the City, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the City's financial statements, which follow this section. Items of particular interest to management are highlighted.

### Financial Highlights

From the Government-Wide Financial Statements:

- The assets of the City exceeded its liabilities at the close of fiscal year 2009 by \$799.5 million.
- Net assets of the governmental activities decreased \$58.6 million.
- The unrestricted net assets of the governmental activities are negative \$117.4 million, which means the City must meet its ongoing obligations to citizens and creditors from future revenues. The City has \$70.2 million in unrestricted assets (although there are limitations as to their use), but this is offset by \$187.6 million that must be funded from future revenues (see table on page 17).
- Total revenues of the governmental activities decreased \$2.0 million, or negative 0.7 percent, reflecting the continuing effects of the national recession. Of this amount, sales taxes and interest earnings decreased a total of \$10.0 million, property taxes including TIF district taxes increased \$3.9 million, gains on sales of property increased \$2.9 million, and all other revenues increased \$1.2 million.
- Net assets of the business-type activities increased \$9.5 million, and their net unrestricted net assets are \$22.2 million, which may be used to meet their ongoing obligations.

From the Fund Financial Statements:

- As of September 30, 2009, the governmental funds reported a combined ending fund balance of \$151.9 million, a decrease of \$11.9 million from the prior year, which included the following significant sources:

The Star of Alabama

## Management's Discussion and Analysis- Continued

- The General Fund decreased \$12.1 million, which can be summarized as follows (in millions):

Expected deficit in adopted budget	\$4.6
Additional deficit in sales taxes	6.7
Additional deficit in interest revenue	2.3
Expenditure reductions	(5.8)
Unexpected health care costs	3.8
Unexpected legal claims	1.9
All other variances	(1.4)
Total deficit	\$12.1

- The Special Revenue Fund decreased \$20.9 million, primarily from the \$14.7 early retirement of TIF 3 debt paid from accumulated TIF 3 property taxes, and \$3.6 million of accumulated 6.5 mill property taxes used for debt service (thereby increasing Capital Improvement Fund resources for street resurfacing).
  - The Public Building Authority Fund decreased \$16.2 million from the expenditure of funds advanced from the General Fund to complete the jail expansion project.
  - The Capital Improvement Fund increased \$37.0 million, primarily from the issuance of 2009A debt in 2009 for future capital projects.
- All of the \$151.9 ending fund balance must be spent for specific purposes, except that \$21.7 million of the General Fund fund balance is designated for contingencies and is being used to offset the budgetary affects of the national recession on the City.
  - The General Fund reported a fund balance of \$43.9 million and except for the contingency reserve described above, all is committed for some purpose. As described above, the fund balance decreased \$12.1 million from the prior year.
  - The net change in the principal amount of the City's debt associated with governmental activities increased \$41.3 million in 2009, representing \$86.0 million of new debt issued for City capital projects (\$27.6 million) and Huntsville City Schools (\$58.4 million), and \$44.7 million in principal payments.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses

## Management's Discussion and Analysis- Continued

reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities of the City include general government, public safety, public services, urban development, and intergovernmental functions. The intergovernmental functions of the City are those activities whereby the City provides financial resources to other governmental entities, primarily the Huntsville Board of Education for support of the city school system.

The business-type activities of the City include the sanitary sewer system (Water Pollution Control), Von Braun Center, and Benton H. Wilcoxon Municipal Ice Complex operations. All of these activities are collectively referred to in the financial statements as those of the *primary government*.

As described in the letter of transmittal and notes to the financial statements, other entities' activities are included in this report because of the relationship of these legally separate entities to the City. Financial information of the Huntsville Utilities Electric, Gas and Water Systems, the Huntsville/Madison County Convention & Visitors' Bureau, and the Downtown Redevelopment Authority are collectively referred to in the financial statements as those of the *discretely-presented component units*. This discussion and analysis focuses on the primary government and the complete financial statements (including MD&A) of the component units may be obtained from the Finance Department of the City.

The government-wide financial statements can be found on pages 28 and 29 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fifteen individual governmental funds:

- General Fund, the Debt Service Fund, The Special Revenue Fund, the Public Building Authority Fund, and the Capital Improvements Fund are considered *major* funds, and information is presented separately in the *Governmental Fund Balance Sheet* and in the *Governmental Fund Statement Of Revenues, Expenditures, And Changes In Fund Balances* for these funds.
- The ten other governmental funds are considered *nonmajor* governmental funds and they are combined into a single, aggregated presentation in the basic financial statements. Individual fund

## Management's Discussion and Analysis- Continued

data for each of these funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements appear on pages 30 through 34 of this report.

*Proprietary funds.* The City maintains only one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for Water Pollution Control, Von Braun Center, and Benton H. Wilcoxon Municipal Ice Complex operations.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The basic proprietary fund financial statements provide information as follows:

- The Water Pollution Control Fund and Von Braun Center Fund are considered *major* proprietary funds of the City, and information is presented separately in the *Proprietary Fund Balance Sheet* and in the *Proprietary Fund Statement Of Revenues, Expenditures, And Changes In Fund Net Assets* for these funds
- The Benton H. Wilcoxon Municipal Ice Complex operation is considered a *nonmajor* proprietary fund, and it is presented with the major proprietary funds since it is the only nonmajor fund.

The basic proprietary fund financial statements appear on pages 35 through 38.

*Fiduciary funds.* The City maintains only one fiduciary fund. *The Post Retirement Benefits Trust Fund* accounts for the activities of the City's post-retirement medical benefits plan, which accumulates resources for post-employment benefit payments to qualified employees. Because the assets of this fund are held in trust for retiree benefits, they are not included in the net assets of the City as presented in the government-wide statement of net assets. The fund financial statements appear on pages 39 and 40.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 through 79 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. Because the City adopts an annual operating budget for certain funds, a comparison of budget to actual by activity (i.e. personnel, operating, capital and other) is provided for the applicable funds to demonstrate compliance with this budget. This information and the combining nonmajor funds statements referred to earlier can be found beginning on page 82 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. **Overall, the City's assets exceeded liabilities by \$799.5 million at the close of the most recent fiscal year, but it is important to note that this amount is largely restricted in some manner and not available to finance City activities.** In fact, the restricted net assets is greater than the total net assets, a deficit situation (see below). The most significant restriction is the \$833.2 million invested in capital assets (e.g. land, buildings, streets, and bridges), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

An additional portion of the City's net assets, \$61.5 million, represents resources that are subject to restrictions as to how they may be used, such restrictions being imposed by legal requirements other than those imposed by the City Council (e.g. state or federal law). The remaining balance of unrestricted net

## Management's Discussion and Analysis- Continued

assets is a negative \$95.2 million, which consisted of a negative \$117.4 million from governmental activities (the deficit situation referred to above) and a positive \$22.2 million from business-type activities. The negative unrestricted net assets represents the fact that at the end of 2009, the "non-capital asset debt" and other liabilities of the City exceeded the unrestricted assets available to pay them. This figure is further analyzed as follows (in thousands):

Liabilities arising from governmental activities (net of deferred costs):	
Long-term debt incurred for non-City purposes:	
Huntsville City Schools	(\$150,889)
Von Braun Center	(6,575)
Other	(1,923)
Other liabilities:	
Accrued interest	(6,853)
Compensated absences	(18,150)
Accrued claims and judgments	(3,180)
Total	(187,570)
Unrestricted assets available	70,180
Unrestricted net assets	(\$117,390)

The non-capital asset debt detailed above was used to construct assets that are not owned by the City, but the debt is a governmental activities liability. While assets are not currently on hand to pay these liabilities, the City expects to pay the debt from annually-recurring revenues established for that purpose. The other liabilities detailed above must be paid from revenues of future periods.

### City of Huntsville Net Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$186,023	\$200,830	\$55,361	\$54,646	\$241,384	\$255,476
Capital assets	999,516	995,427	256,726	245,617	1,256,242	1,241,044
Total assets	1,185,539	1,196,257	312,087	300,263	1,497,626	1,496,520
Long-term liabilities	523,095	473,581	135,046	130,145	658,141	603,726
Other liabilities	34,238	35,889	5,785	8,359	40,023	44,248
Total liabilities	557,333	509,470	140,831	138,504	698,164	647,974
Net assets:						
Invested in capital assets, net of related debt	696,162	677,877	137,062	133,673	833,224	811,550
Restricted	49,434	58,692	12,046	0	61,480	58,692
Unrestricted	(117,390)	(49,782)	22,148	28,086	(95,242)	(21,696)
<b>Total net assets</b>	\$628,206	\$686,787	\$171,256	\$161,759	\$799,462	\$848,546

Net assets from the City's activities decreased \$49.1 million in 2009, which can be explained as follows (in thousands):

	Governmental Activities	Business-Type Activities
Restricted for capital assets:		
Net additions of new capital assets	\$41,958	\$17,949
Depreciation of capital assets	(37,869)	(6,840)
Net decrease (increase) in capital related debt	14,196	(5,079)
Net increase (decrease) in SRF drawdowns financing capital assets	0	(2,641)
	18,285	3,389

**Management's Discussion and Analysis- Continued**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Other restrictions:		
Increase in restricted funds for capital projects	1,908	12,046
Increase in restricted funds for debt service	(8,894)	0
Other net expenditures subject to restrictions	(2,272)	0
	<u>(9,258)</u>	<u>12,046</u>
Unrestricted:		
Increases (decreases) in net assets:		
General Fund	(11,821)	0
Public Building Authority Fund	(19,989)	
Capital Improvement Fund	7,878	0
Water Pollution Control Fund	0	(6,221)
Net (increase) decrease in non-capital related liabilities	(41,567)	0
All other changes	(2,109)	283
	<u>(67,608)</u>	<u>(5,938)</u>
Change in net assets	<u>(\$58,581)</u>	<u>\$9,497</u>

**City of Huntsville Changes in Net Assets (in thousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$43,276	\$43,640	\$40,969	\$41,202	\$84,245	\$84,842
Operating grants & contributions	5,534	6,233	0	0	5,534	6,233
Capital grants & contributions	9,277	8,725	0	2,362	9,277	11,087
General revenues:						
Sales taxes	122,161	127,565	0	0	122,161	127,565
Property taxes	54,079	50,211	0	0	54,079	50,211
Other taxes	38,538	37,538	0	0	38,538	37,538
Interest on investments	1,117	5,667	103	405	1,220	6,072
Other	3,899	3,207	30	0	3,929	3,207
Gains on sales of assets	3,897	1,011	0	0	3,897	1,011
<b>Total revenues</b>	<u>281,778</u>	<u>283,797</u>	<u>41,102</u>	<u>43,969</u>	<u>322,880</u>	<u>327,766</u>
<b>Expenses:</b>						
General government	28,684	26,659	0	0	28,684	26,659
Public safety	78,800	76,952	0	0	78,800	76,952
Public services	163,162	101,826	0	0	163,162	101,826
Urban development	18,492	21,701	0	0	18,492	21,701
Interest on long-term debt	21,534	22,418	0	0	21,534	22,418
Unallocated depreciation	26,280	26,015	0	0	26,280	26,015
Water pollution control	0	0	23,999	26,765	23,999	26,765
Other	0	0	11,013	10,799	11,013	10,799
<b>Total expenses</b>	<u>336,952</u>	<u>275,571</u>	<u>35,012</u>	<u>37,564</u>	<u>371,964</u>	<u>313,135</u>
Net asset change before transfers	(55,174)	8,226	6,090	6,405	(49,084)	14,631
Transfers	(3,407)	(3,070)	3,407	3,070	0	0
<b>Increase (decrease) in net assets</b>	<u>(58,581)</u>	<u>5,156</u>	<u>9,497</u>	<u>9,475</u>	<u>(49,084)</u>	<u>14,631</u>
Net assets - beginning of year	686,787	681,631	161,759	152,284	848,546	833,915
<b>Net assets - end of year</b>	<u>\$628,206</u>	<u>\$686,787</u>	<u>\$171,256</u>	<u>\$161,759</u>	<u>\$799,462</u>	<u>\$848,546</u>

## Management's Discussion and Analysis- Continued

### Net Asset Changes - Governmental Activities:

Revenues decreased \$2.0 million in 2009. The most significant changes were as follows:

Charges for services – decreased \$364,000 for all activities, or 0.8 percent, after several years of high growth, primarily due to a significant reduction in building activities and related permit revenue.

Grants from federal and state agencies were basically unchanged.

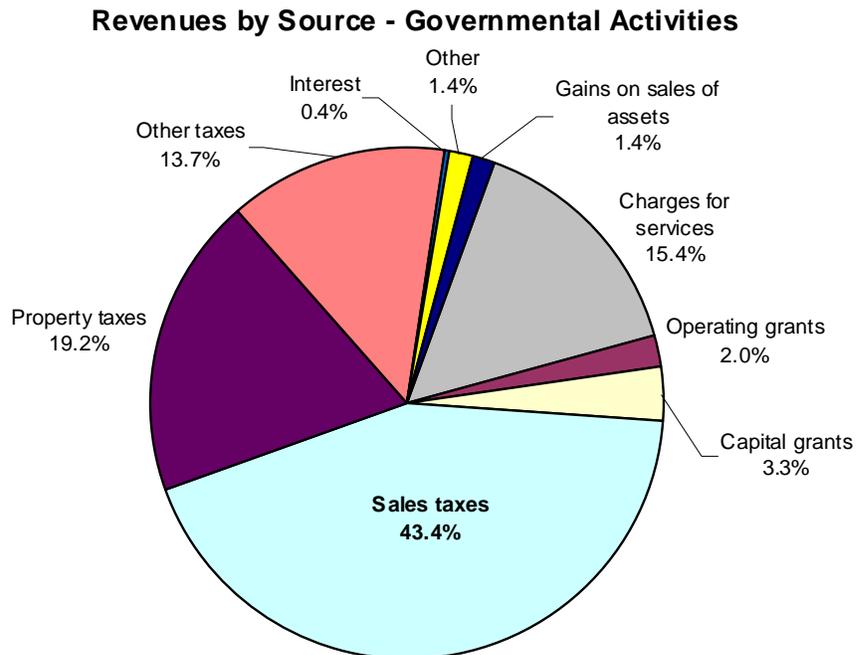
Sales taxes - decreased \$5.4 million, or 4.2 percent, a significantly reduced rate of growth compared to prior years, due to the national recession's affect on the Huntsville economy.

Property taxes - increased \$3.9 million, or 7.7 percent. City-wide growth was about 3.5 percent and growth in the TIF districts was 25.6 percent.

Interest on investments - decreased \$4.6 million, or 80.3 percent due to a sharp decline in investment earnings rates.

Other revenues – overall increased \$1.7 million.

Gains on sales of assets - increased \$2.9 million due primarily to the Hudson-Alpha land sale in Cummings Research Park.



**Management's Discussion and Analysis- Continued**

Expenses increased \$63.6 million, or 23.3 percent in 2009. The most significant changes were as follows:

General government increased \$2.0 million, or 7.6 percent. The only significant changes were as follows:

Legal claims decreased \$1.4 million, mostly because the \$3 million extraordinary police claim was reported in the government-wide statements last year, but the \$1.3 million VBC ADA claim was reported in 2009.

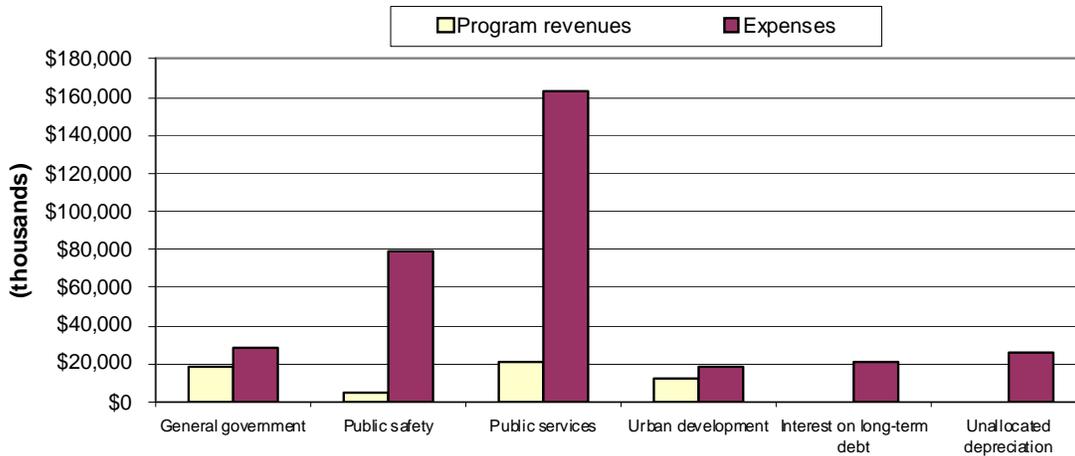
Workers compensation claims increased \$860,000, or 64.7%, primarily due to an increase in the actuarially-determined amount of expected future claims.

Public safety increased \$1.9 million, or 2.4 percent. No changes were individually significant.

Public services increased \$61.3 million, or 60.2 percent. The transfer of 2009B school debt proceeds to the Huntsville City Schools and a \$907,000 increase in the TIF 3 transfer to the schools accounted for most of this change. Also, spending on street repair and resurfacing in the Capital Improvement Fund decreased \$2.1 million in 2009 (34.7 percent). No changes were individually significant.

Urban development decreased \$3.2 million, or 14.8 percent, primarily due to a \$1.2 million decrease in general infrastructure maintenance (streets and drainage), and \$2.4 million less spent on the Governors Drive widening project (a State of Alabama asset) since this project was mostly completed in 2008.

**Program Revenues & Expenses - Governmental Activities**



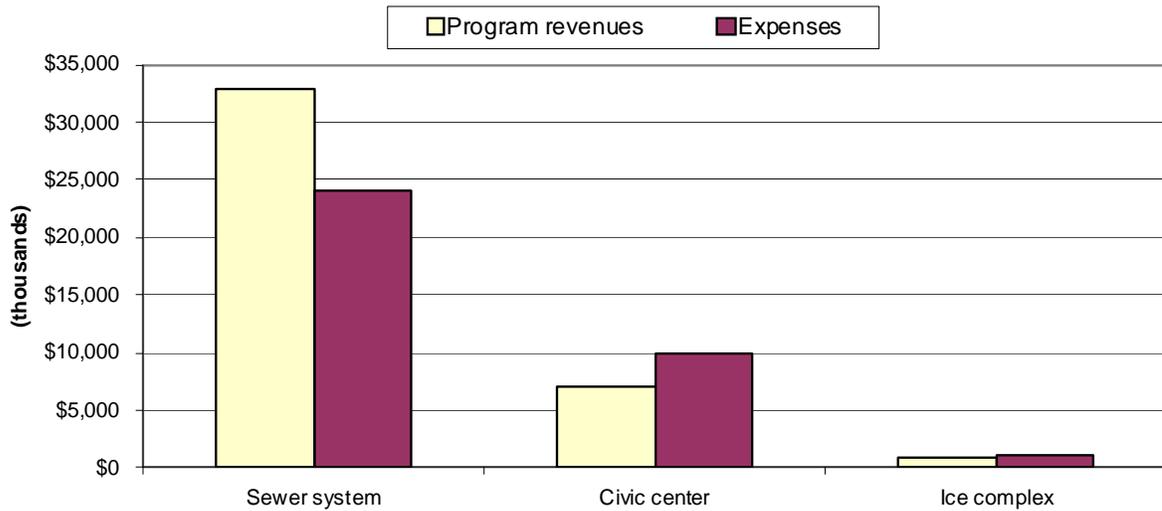
**Net Asset Changes - Business-Type Activities:**

Operating revenues did not change significantly for any activity – the rate increase in sanitary sewer fees was offset by a wetter 2009 summer, resulting in lower sewer volume. Capital grants and contributions in the Water Pollution Control Fund decreased \$2.3 million as those funds were spent in 2008.

Expenses decreased \$2.6 million, or 6.8%, the most significant of which was less spending on sanitary sewer system rehabilitation than in 2008, although significant expenses for this continuing project will occur in 2010 and 2011.

## Management's Discussion and Analysis- Continued

### Program Revenues & Expenses - Business-Type Activities



#### Financial Analysis of the Governmental Funds

As noted earlier, the City uses fund accounting to group accounts established for various purposes, and to help ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The combined fund balances of the City's governmental funds decreased \$11.9 million in 2009, and the total balance as of September 30, 2009, was \$151.9 million. This amount is available for spending subject to certain restrictions or limitations:

Reserved indicates it is not available for discretionary spending because it is restricted externally, such as by federal and state law, or is not available because it does not constitute current resources, such as long-term notes receivable.

Designated indicates it is not available for discretionary spending because it is limited for particular purposes by City ordinance and policy, such as to fulfill prior year purchase orders and commitments, or for employee post-retirement benefits.

Unreserved and undesignated is not subject to any limitations other than as broadly defined in state and City law.

## Management's Discussion and Analysis- Continued

The fund balances of the governmental funds as of September 30, 2009, are as follows:

<b>Reserved</b>	<b>\$79,087,295</b>
<b>Designated for specific purposes:</b>	
Prior year commitments	16,571,678
Cemetery improvements	496,642
Contingencies (11.5% requirement)	21,657,050
Jail construction	2,970,674
Post-retirement benefits	9,600,000
Tourism activities	2,641,885
Other	2,739,849
	<b>56,677,778</b>
<b>Undesignated, but limited as to use:</b>	
Debt service	3,412,682
Special revenue restrictions	(1,644,735)
Perpetual care	1,246,187
Capital projects	13,088,976
	<b>16,103,110</b>
<b>Not reserved or designated</b>	<b>0</b>
<b>Total</b>	<b>\$151,868,183</b>

The decrease of \$11.9 million in the fund balances of the City's governmental funds and information about the significant changes in each funds was as follows:

General Fund	(\$12,088,468)
The Special Revenue Fund	(20,898,585)
Public Building Authority Fund	(16,187,346)
Capital Improvement Fund	36,977,162
All other funds	346,942
Total	(\$11,850,295)

General Fund. The originally-adopted budget was a deficit of \$4.6 million, as the City planned to drawdown a portion of the contingency reserve fund balance to cushion the impact of the national recession. Since the recession's affects worsened the local economy more than expected, revenues were \$9.0 million less than originally expected, and unexpected increases in health care and legal claims costs added \$5.7 million more to the deficit. Expenditures were reduced about \$7.2 to mitigate this loss, but a \$12.1 million deficit was the final affect.

The Special Revenue Fund. This fund includes state taxes and city property taxes restricted by law for certain purposes, including all the city TIF district accounts. The \$20.9 million decrease in the fund balance was primarily due to a \$14.7 early retirement of TIF 3 debt paid from accumulated TIF 3 property taxes, and \$3.6 million of accumulated 6.5 mill property taxes used for debt service (thereby increasing Capital Improvement Fund resources for street resurfacing).

Public Building Authority Fund. The \$16.2 million decrease was due to the expenditure of funds advanced from the General Fund to complete the jail expansion project.

Capital Improvement Fund. The \$37.0 million increase was primarily due to \$31 million received from the issuance of 2009A debt for capital projects, and less spending on capital projects than in 2008.

**Management's Discussion and Analysis- Continued**

Fund Balance of the General Fund. The General Fund is the primary operating fund of the City. The unreserved fund balance of the General Fund was \$41.6 million, but all of this amount has been designated by management for various purposes. Management's policy is to retain 11.5 percent of next year's revenue for working capital and as cushion against contingencies - \$21.6 million was designated for this purpose at the end of 2009, which is \$2.7 million less than the required amount.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures (including transfers to other funds). Total fund balance and unreserved fund balance represents 18.4 percent and 17.5 percent of total general fund expenditures (including transfers out), respectively.

**Proprietary Funds.** The focus of the City's enterprise funds is to provide the same type of information as found in the government-wide financial statements, but in more detail.

The net assets of the enterprise funds increased \$9.5 million in 2009 - \$9.0 million from the Water Pollution Control Fund, \$601,209 from the Von Braun Center Fund, and (\$96,454) from the Municipal IcePlex Fund.

General Fund Budgetary Highlights

Variances between General Fund budget and actual amounts is described on page 21, and the net differences between the original and final budget is summarized below. An amount shown in the "Net Change to Budget" column was an increase or (decrease) in the net budget.

	Offsetting Budget Changes	Net Change to Budget
Mid-year revenue budget adjustments and adjustments to sales tax- earmarked appropriations due to economic conditions		(\$6,300,000)
Transfer of projects from the General Fund to the Capital Improvement Fund		2,200,000
Increase in intergovernmental assistance expenditure to Huntsville Board of Education for gymnasium projects – 2009 earmarked revenue		(830,000)
Appropriation of prior year unreserved and undesignated fund balance for capital expenditures		(6,100,000)
Increase in operating expenditures for legal fees		(1,500,000)
Increase in post-retirement benefit costs due to actuarial requirements		(600,000)
Increase in legal claims settlements		(3,000,000)
Increase in capital expenditures related to 2007 debt issued for VBC improvements		(2,021,000)
All other appropriations		<u>370,000</u>
Total net change		<u>(\$17,781,000)</u>

**Management's Discussion and Analysis- Continued**

Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for governmental and business-type activities as of September 30, 2009, totals \$1.3 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, curbs and gutters, streets and sidewalks, greenways, drainage and sewer systems. Total capital assets increased \$15.2 million in 2009 - \$59.9 million of net capital additions less \$44.7 million of depreciation. The largest capital additions during the year were as follows (in millions):

Expansion of the of the city-county jail	\$16.2
Western Area sewer lines	7.0
Church Street rights-of-way	3.8
Explorer Boulevard extension	3.0
Aldridge Creek sewer plant improvements	2.5
Courthouse Square streetscape	1.6
Meridian Street rights-of-way	1.5
Beadle Lane sewer project	1.3
Little Cove Road	1.1
Total	\$38.0

A summary of the City's capital assets is as follows:

**City of Huntsville's Capital Assets**

(In thousands, net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$74,915	\$69,291	\$6,945	\$6,945	\$81,860	\$76,236
Construction in process	735	63,519	2,051	1,754	2,786	65,273
Land improvements	19,116	19,445	0	0	19,116	19,445
Buildings and improvements	187,333	110,496	241,805	231,217	429,138	341,713
Infrastructure	693,109	706,011	0	0	693,109	706,011
Other	24,307	26,665	5,925	5,701	30,232	32,366
<b>Total</b>	<b>\$999,515</b>	<b>\$995,427</b>	<b>\$256,726</b>	<b>\$245,617</b>	<b>\$1,256,241</b>	<b>\$1,241,044</b>

Additional information on the City's capital assets can be found in Note 4B on pages 56 through 58 of this report.

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**Management's Discussion and Analysis- Continued**

**Long-term debt.** As of September 30, 2009, the City had \$627.0 million of long-term debt outstanding. Of this amount, \$469.3 million is debt backed by the full faith and credit of the City, and \$157.8 million is comprised of revenue bonds and warrants secured solely by specific revenue sources (sewer system debt).

**City of Huntsville's Outstanding Debt**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation warrants	\$406,739	\$365,022	\$62,531	\$53,833	\$469,270	\$418,855
Revenue warrants	0	0	71,800	76,560	71,800	76,560
Lease revenue bonds	85,995	86,415	0	0	85,995	86,415
<b>Total</b>	<b>\$492,734</b>	<b>\$451,437</b>	<b>\$134,331</b>	<b>\$130,393</b>	<b>\$627,065</b>	<b>\$581,830</b>

The City issued debt for the following purposes in 2009: \$58.4 million for Huntsville City Schools, \$27.5 million for capital projects, and \$13.1 million for sewer system improvements.

The City's general obligation bond rating by Standard & Poor's Corporation and Moody's Investors Service, Inc. are AAA and Aa1, respectively.

Other than debt paid from proprietary fund revenue sources (e.g. sewer debt and revenue bonds), State of Alabama law limits the amount of general obligation debt cities can issue for purposes other than schools and drainage systems to twenty percent of the assessed value of real and personal property. As of September 30, 2009, the City's allocable debt outstanding was \$245.4 million less than the legal debt limit.

Additional information regarding the City's long-term debt can be found in Note 4E on pages 62 through 71 of this report.

2010 Budget

The Mayor and City Council considered many factors when developing the fiscal year 2010 budget, especially the impact of the national recession. While Huntsville's revenues are somewhat insulated from national trends, the seriousness of the situation has affected 2009 and 2010 revenues such that reductions in expenditures and capital projects have been necessary. A 2010 General Fund recurring revenue budget of \$215.7 million was adopted, which is \$8.2 million less than 2009 and represents zero growth over 2009 actual revenues. This figure is \$14.8 million less than the expenditures budget, reflecting a planned drawdown from the fund balance designated for contingencies. As of March 2010, revenues are mostly within budgetary goals.

Request for Information

This financial report is designed with a general overview of the City's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, P.O. Box 308, Huntsville, Alabama 35804, by calling (256) 427-5080, or by sending an email to [HSVFinance@hsvcity.com](mailto:HSVFinance@hsvcity.com). This report and other City financial information is available on the City's website at [http://www.hsvcity.com/finance/finance\\_reports.php](http://www.hsvcity.com/finance/finance_reports.php).

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## BASIC FINANCIAL STATEMENTS

**CITY OF HUNTSVILLE**  
**STATEMENT OF NET ASSETS**  
**September 30, 2009**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash & investments, at cost	176,151,150	14,614,317	190,765,467	\$67,414,031
Receivables (net of allowances)	22,192,029	4,378,024	26,570,053	31,163,239
Due from governmental entities	2,154,092	0	2,154,092	39,078
Inventories	136,574	147,119	283,693	16,747,242
Prepaid items	295,219	205,027	500,246	34,406
Revenue warrants - drawdowns receivable	0	14,623,121	14,623,121	0
Internal balances	(20,219,587)	20,219,587	0	0
Deferred costs	5,291,194	1,173,779	6,464,973	2,110,288
Restricted assets				
Cash & investments, at cost	0	0	0	73,558,891
Capital assets				
Land, collections and construction in process	75,650,481	8,995,370	84,645,851	15,781,173
Other assets, net of accum. depreciation	923,865,312	247,730,356	1,171,595,668	475,030,832
<b>Total assets</b>	<b>1,185,516,464</b>	<b>312,086,700</b>	<b>1,497,603,164</b>	<b>681,879,180</b>
<b>LIABILITIES</b>				
Accounts payable	8,726,484	2,885,331	11,611,815	45,339,456
Accrued liabilities	16,301,053	2,201,071	18,502,124	8,842,349
Contract retainages	4,566,220	238,048	4,804,268	0
Due to governmental entities	231,878	0	231,878	0
Notes payable	0	27,336	27,336	0
Customer deposits	10,100	337,673	347,773	48,654,248
Deferred revenue	3,244,854	95,125	3,339,979	0
Other	1,134,670	0	1,134,670	0
Liabilities payable from restricted assets:				
Other	0	0	0	1,149,410
Noncurrent liabilities				
Due within one year	40,843,062	10,057,210	50,900,272	4,111,498
Due in more than one year	482,252,310	124,988,708	607,241,018	71,608,452
<b>Total liabilities</b>	<b>557,310,631</b>	<b>140,830,502</b>	<b>698,141,133</b>	<b>179,705,413</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	696,161,767	137,061,929	833,223,696	416,051,853
Restricted for:				
Capital projects	18,540,036	12,046,366	30,586,402	11,418,301
City schools	13,822,293	0	13,822,293	0
Debt service	8,262,778	0	8,262,778	8,549,099
Other	8,809,605	0	8,809,605	8,689,870
Unrestricted	(117,390,646)	22,147,903	(95,242,743)	57,464,644
<b>Total net assets</b>	<b>628,205,833</b>	<b>171,256,198</b>	<b>799,462,031</b>	<b>\$502,173,767</b>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2009**

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Assets			Component Units
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
<b>Governmental activities</b>								
General government	\$28,684,548	\$18,777,070	\$0	\$0	(9,907,478)	0	(9,907,478)	0
Public safety	78,799,511	4,051,824	699,392	809,464	(73,238,831)	0	(73,238,831)	0
Public services	163,161,869	16,758,939	4,585,140	45,000	(141,772,790)	0	(141,772,790)	0
Urban development	18,492,051	3,688,251	249,799	8,422,093	(6,131,908)	0	(6,131,908)	0
Interest on long-term debt	21,534,346	0	0	0	(21,534,346)	0	(21,534,346)	0
Unallocated depreciation	26,279,694	0	0	0	(26,279,694)	0	(26,279,694)	0
<b>Total governmental activities</b>	<b>336,952,019</b>	<b>43,276,084</b>	<b>5,534,331</b>	<b>9,276,557</b>	<b>(278,865,047)</b>	<b>0</b>	<b>(278,865,047)</b>	<b>0</b>
<b>Business-type activities</b>								
Water pollution control	23,998,256	32,905,736	0	0	0	8,907,480	8,907,480	0
Civic center	9,966,778	7,146,456	0	0	0	(2,820,322)	(2,820,322)	0
Ice complex	1,047,050	917,173	0	0	0	(129,877)	(129,877)	0
<b>Total business-type activities</b>	<b>35,012,084</b>	<b>40,969,365</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,957,281</b>	<b>5,957,281</b>	<b>0</b>
<b>Total primary government</b>	<b>371,964,103</b>	<b>84,245,449</b>	<b>5,534,331</b>	<b>9,276,557</b>	<b>(278,865,047)</b>	<b>5,957,281</b>	<b>(272,907,766)</b>	<b>0</b>
<b>Component Units</b>								
All	529,318,048	539,754,481	12,500	0	0	0	0	10,448,933
<b>Total component units</b>	<b>\$529,318,048</b>	<b>\$539,754,481</b>	<b>\$12,500</b>	<b>\$0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,448,933</b>
<b>General Revenues</b>								
Sales & use taxes					122,161,198	0	122,161,198	0
Property taxes					54,078,571	0	54,078,571	0
Other taxes					38,537,905	0	38,537,905	450,382
Interest on investments					1,116,673	102,738	1,219,411	1,327,133
Other					3,899,387	30,000	3,929,387	1,631,704
Gains on sales of assets					3,897,397	0	3,897,397	0
Capital contributions					0	0	0	5,159,032
Transfers					(3,406,942)	3,406,942	0	0
<b>Total general revenues &amp; transfers</b>					<b>220,284,189</b>	<b>3,539,680</b>	<b>223,823,869</b>	<b>8,568,251</b>
<b>Change in net assets</b>					<b>(58,580,858)</b>	<b>9,496,961</b>	<b>(49,083,897)</b>	<b>19,017,184</b>
Net assets, beginning					686,786,691	161,759,237	848,545,928	483,156,583
<b>Net assets, ending</b>					<b>\$628,205,833</b>	<b>\$171,256,198</b>	<b>\$799,462,031</b>	<b>\$502,173,767</b>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
September 30, 2009**

	General Fund	Debt Service	The Special Revenue	Public Building Authority	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash & investments, at cost	\$66,900,921	\$3,400,625	\$36,158,625	\$2,495,601	\$56,107,385	\$11,087,993	\$176,151,150
Receivables (net of allowances)							
Accounts	13,525,171	763	588,367	0	1,679,286	6,090,986	21,884,573
Notes	0	0	0	0	0	0	0
Accrued interest	0	0	0	0	0	307,456	307,456
Due from other funds	18,405,803	11,294	9,005,147	0	32,399,367	889,515	60,711,126
Due from governmental entities	1,526,319	0	0	0	572,513	55,260	2,154,092
Inventories	75,547	0	0	0	0	61,027	136,574
Prepaid items	53,599	0	0	0	0	241,620	295,219
<b>Total assets</b>	<b>\$100,487,360</b>	<b>\$3,412,682</b>	<b>\$45,752,139</b>	<b>\$2,495,601</b>	<b>\$90,758,551</b>	<b>\$18,733,857</b>	<b>\$261,640,190</b>
<b>LIABILITIES</b>							
Accounts payable	\$3,092,752	\$0	\$501,040	\$1,276,334	\$3,342,084	\$514,274	\$8,726,484
Accrued liabilities	9,312,358	0	0	0	0	485,579	9,797,937
Contract retainages	2,870,316	0	19,318	1,250,000	289,093	137,493	4,566,220
Due to other funds	36,892,717	0	12,292,384	17,463,199	13,999,851	282,562	80,930,713
Due to governmental entities	231,878	0	0	0	0	0	231,878
Deferred revenue	3,060,800	0	0	0	1,129,151	184,054	4,374,005
Notes payable	0	0	0	0	0	0	0
Customer deposits	0	0	0	0	0	10,100	10,100
Other	1,134,670	0	0	0	0	0	1,134,670
<b>Total liabilities</b>	<b>56,595,491</b>	<b>0</b>	<b>12,812,742</b>	<b>19,989,533</b>	<b>18,760,179</b>	<b>1,614,062</b>	<b>109,772,007</b>
<b>FUND BALANCES</b>							
Reserved for:							
Capital projects	2,021,177	0	18,587,685	0	31,313,983	0	51,922,845
City schools	0	0	13,822,293	0	0	0	13,822,293
Debt service	0	0	2,355,207	2,494,889	0	0	4,850,096
Donor restricted	0	0	0	0	0	332,853	332,853
Jail construction	0	0	0	0	0	0	0
Notes receivable	0	0	0	0	0	6,270,061	6,270,061
Other	247,480	0	1,641,667	0	0	0	1,889,147
Unreserved, designated for:							
Encumbrances	1,517,112	0	0	0	0	0	1,517,112
Encumbrances-capital project funds	0	0	0	0	13,658,468	1,396,098	15,054,566
Cemetery improvements	496,642	0	0	0	0	0	496,642
Contingencies	21,657,050	0	0	0	0	0	21,657,050
School improvements	0	0	0	0	0	0	0
Jail construction	2,970,674	0	0	0	0	0	2,970,674
Post-retirement benefits	9,600,000	0	0	0	0	0	9,600,000
Tourism activities	2,641,885	0	0	0	0	0	2,641,885
Other	2,739,849	0	0	0	0	0	2,739,849
Unreserved & undesignated, reported in:							
General fund	0	0	0	0	0	0	0
Debt service fund	0	3,412,682	0	0	0	0	3,412,682
Special revenue funds	0	0	(3,467,455)	0	0	1,822,720	(1,644,735)
Permanent fund	0	0	0	0	0	1,246,187	1,246,187
Capital projects funds	0	0	0	(19,988,821)	27,025,921	6,051,876	13,088,976
<b>Total fund balance</b>	<b>43,891,869</b>	<b>3,412,682</b>	<b>32,939,397</b>	<b>(17,493,932)</b>	<b>71,998,372</b>	<b>17,119,795</b>	<b>151,868,183</b>
<b>Total liabilities and fund balance</b>	<b>\$100,487,360</b>	<b>\$3,412,682</b>	<b>\$45,752,139</b>	<b>\$2,495,601</b>	<b>\$90,758,551</b>	<b>\$18,733,857</b>	

**Amounts reported for governmental activities in the Statement of Net Assets are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 999,515,793  
 Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds. (523,178,143)

**Net assets of governmental activities** **\$628,205,833**

**CITY OF HUNTSVILLE  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended September 30, 2009**

	General Fund	Debt Service	The Special Revenue	Public Building Authority	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>REVENUE</b>							
Sales & use taxes	\$122,161,198	\$0	\$0	\$0	\$0	\$0	\$122,161,198
Property taxes	13,200,659	0	40,877,912	0	0	0	54,078,571
Other taxes	35,423,936	0	3,113,969	0	0	0	38,537,905
Licenses & permits	22,216,726	0	0	0	0	0	22,216,726
Fines & forfeitures	3,387,646	0	135,154	0	0	386,386	3,909,186
Revenues from money & property	1,256,337	9,298	358,790	418	2,275,299	5,475,184	9,375,326
Charges for services	13,352,783	0	0	0	0	0	13,352,783
Intergovernmental	4,610,104	0	0	0	10,279,872	3,421,512	18,311,488
Gifts & donations	153,355	0	0	0	752,053	1,077,188	1,982,596
Other revenues	1,639,863	0	0	0	0	29,872	1,669,735
<b>Total revenues</b>	<b>217,402,607</b>	<b>9,298</b>	<b>44,485,825</b>	<b>418</b>	<b>13,307,224</b>	<b>10,390,142</b>	<b>285,595,514</b>
<b>EXPENDITURES</b>							
Current							
General government	27,024,261	0	0	0	52,310	0	27,076,571
Public safety	73,113,077	0	40,434	0	268,705	0	73,422,216
Public services	53,359,216	0	3,649,538	0	3,910,019	10,227,097	71,145,870
Urban development	11,925,212	0	0	0	790,256	3,947,590	16,663,058
Debt service							
Principal	10,848,369	95,968,700	0	420,000	0	50,171	107,287,240
Interest	126,497	19,607,403	0	4,114,963	0	10,864	23,859,727
Fiscal charges	0	11,449	0	0	0	0	11,449
Debt issuance costs	0	7,500	0	0	1,108,780	0	1,116,280
Capital projects construction and outlay	163,424	0	453,014	16,199,364	19,563,268	3,428,470	39,807,540
Intergovernmental assistance	19,917,837	0	5,852,409	0	65,094,083	0	90,864,329
<b>Total expenditures</b>	<b>196,477,893</b>	<b>115,595,052</b>	<b>9,995,395</b>	<b>20,734,327</b>	<b>90,787,421</b>	<b>17,664,192</b>	<b>451,254,280</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>20,924,714</b>	<b>(115,585,754)</b>	<b>34,490,430</b>	<b>(20,733,909)</b>	<b>(77,480,197)</b>	<b>(7,274,050)</b>	<b>(165,658,766)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Long-term debt issued	8,955,000	0	0	0	138,583,000	0	147,538,000
Premium on debt issue	0	0	0	0	9,662,918	0	9,662,918
Capital lease proceeds	0	0	0	0	0	0	0
Transfer to refunding escrow agent	0	0	0	0	0	0	0
Transfers in	0	115,765,692	850,000	4,546,563	31,830,995	7,833,173	160,826,423
Transfers (out)	(41,968,182)	0	(56,239,015)	0	(65,619,554)	(392,119)	(164,218,870)
Total other financing sources (uses)	(33,013,182)	115,765,692	(55,389,015)	4,546,563	114,457,359	7,441,054	153,808,471
<b>Net change in fund balance</b>	<b>(12,088,468)</b>	<b>179,938</b>	<b>(20,898,585)</b>	<b>(16,187,346)</b>	<b>36,977,162</b>	<b>167,004</b>	<b>(11,850,295)</b>
Fund balance, beginning	55,980,337	3,232,744	53,837,982	(1,306,586)	35,021,210	16,952,791	163,718,478
<b>Fund balance, ending</b>	<b>\$43,891,869</b>	<b>\$3,412,682</b>	<b>\$32,939,397</b>	<b>(\$17,493,932)</b>	<b>\$71,998,372</b>	<b>\$17,119,795</b>	<b>\$151,868,183</b>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2009**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	(\$11,850,295)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,365,968
Carrying value of assets disposed of during the year, which is not reported in the governmental funds.	(1,262,609)
Governmental funds report transfers of current financial resources to other funds as an expenditure, and only report transfers in of current financial resources as revenue. In the Statement of Activities for governmental activities, however, transfers of capital assets (net of related debt) from and to business-type activities are recorded as revenue and expenditures, respectively. This amount is the net amount of transfers of capital assets (net of related debt) to/from governmental activities to/from business-type activities, which is included in transfers in the Statement of Activities.	(14,495)
For governmental funds, the issuance of long-term debt (e.g. warrants and leases) provide current financial resources and the repayment of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(47,744,625)
For governmental funds, certain revenues have been earned but because they are not received within a defined period of time after year-end, they are not considered available to finance the expenditures of the year in question. These revenues are not included in governmental fund revenues but are included in revenue of the governmental activities in the Statement of Activities.	(2,554,802)
For governmental funds, the liability for accrued compensated absences does not require current financial resources and is not reported. The Statement of Net Assets for governmental activities, however, reports this as a liability, and this amount is the change from the prior year, which is also reported as an expenditure in the Statement of Activities for governmental activities.	(590,000)
Other revenue/expenses reported in the Statement of Activities that do not provide/require current financial resources.	<u>70,000</u>
<b>Change In Net Assets Of Governmental Activities</b>	<b><u><u>(\$58,580,858)</u></u></b>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET & ACTUAL  
For the Year Ended September 30, 2009**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and payments in lieu of taxes	\$176,519,000	\$171,479,042	\$170,785,793	(\$693,249)
Licenses and permits	22,746,000	22,427,500	22,216,726	(210,774)
Fines and forfeitures	2,984,000	2,984,000	3,387,646	403,646
Revenues from money and property	3,544,000	1,188,200	1,256,337	68,137
Charges for services	13,139,332	13,139,332	13,352,783	213,451
Intergovernmental	3,022,769	6,964,775	4,610,104	(2,354,671)
Gifts and donations	70,000	7,929,628	153,355	(7,776,273)
Other revenues	1,670,000	1,716,954	1,639,863	(77,091)
<b>Total revenues</b>	<b>223,695,101</b>	<b>227,829,431</b>	<b>217,402,607</b>	<b>(10,426,824)</b>
<b>EXPENDITURES</b>				
Current				
General government	22,966,268	29,975,582	27,024,261	2,951,321
Public safety	70,066,636	72,689,468	73,113,077	(423,609)
Public services	51,208,984	54,064,215	53,359,216	704,999
Urban development	12,058,971	12,485,379	11,925,212	560,167
Debt service	1,066,933	10,976,933	10,974,866	2,067
Capital projects construction	20,000	12,253,090	163,424	12,089,666
Intergovernmental assistance	20,266,801	20,847,877	19,917,837	930,040
<b>Total expenditures</b>	<b>177,654,593</b>	<b>213,292,544</b>	<b>196,477,893</b>	<b>16,814,651</b>
<b>Excess of revenues over expenditures</b>	<b>46,040,508</b>	<b>14,536,887</b>	<b>20,924,714</b>	<b>6,387,827</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	0	8,955,000	8,955,000	0
Transfers in	0	4,000,000	0	(4,000,000)
Transfers out	(50,688,346)	(49,920,319)	(41,968,182)	7,952,137
<b>Total other financing sources (uses)</b>	<b>(50,688,346)</b>	<b>(36,965,319)</b>	<b>(33,013,182)</b>	<b>3,952,137</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(4,647,838)</b>	<b>(22,428,432)</b>	<b>(12,088,468)</b>	<b>10,339,964</b>
Fund balance, beginning	55,980,337	55,980,337	55,980,337	0
<b>Fund balance, ending</b>	<b>\$51,332,499</b>	<b>\$33,551,905</b>	<b>\$43,891,869</b>	<b>\$10,339,964</b>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE**  
**THE SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET & ACTUAL**  
**For the Year Ended September 30, 2009**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes and payments in lieu of taxes	\$44,167,755	\$44,167,755	\$43,991,881	(\$175,874)
Fines and forfeitures	0	0	135,154	135,154
Revenues from money and property	0	0	358,790	358,790
<b>Total revenues</b>	<b>44,167,755</b>	<b>44,167,755</b>	<b>44,485,825</b>	<b>318,070</b>
<b>EXPENDITURES</b>				
Current				
Public safety	0	0	40,434	(40,434)
Public services	2,794,000	5,044,000	3,649,538	1,394,462
Capital projects construction	0	693,014	453,014	240,000
Intergovernmental assistance	1,956,810	18,147,670	5,852,409	12,295,261
<b>Total expenditures</b>	<b>4,750,810</b>	<b>23,884,684</b>	<b>9,995,395</b>	<b>13,889,289</b>
<b>Excess of revenues over expenditures</b>	<b>39,416,945</b>	<b>20,283,071</b>	<b>34,490,430</b>	<b>14,207,359</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	0	2,000,000	0	(2,000,000)
Transfers in	850,000	850,000	850,000	0
Transfers (out)	(31,662,535)	(64,881,320)	(56,239,015)	8,642,305
Total other financing sources (uses)	<b>(30,812,535)</b>	<b>(62,031,320)</b>	<b>(55,389,015)</b>	<b>6,642,305</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>8,604,410</b>	<b>(41,748,249)</b>	<b>(20,898,585)</b>	<b>20,849,664</b>
Fund balance, beginning	53,837,982	53,837,982	53,837,982	0
<b>Fund balance, ending</b>	<b>\$62,442,392</b>	<b>\$12,089,733</b>	<b>\$32,939,397</b>	<b>\$20,849,664</b>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 September 30, 2009**

	<b>Business-Type Activities -- Enterprise Funds</b>			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
<b>ASSETS</b>				
<b>Current assets</b>				
Cash & investments, at cost	\$12,555,648	\$2,025,671	\$32,998	\$14,614,317
Receivables (net of allowance)				
Accounts	2,860,141	1,517,883	0	4,378,024
Due from other funds	20,879,629	0	0	20,879,629
Prepaid items	0	201,277	3,750	205,027
Inventories, at cost	0	144,315	2,804	147,119
Revenue warrants - drawdowns receivable	14,623,121	0	0	14,623,121
<b>Total current assets</b>	<b>50,918,539</b>	<b>3,889,146</b>	<b>39,552</b>	<b>54,847,237</b>
<b>Noncurrent assets</b>				
Deferred costs	1,173,779	0	0	1,173,779
Capital assets:				
Land	3,717,997	3,226,697	0	6,944,694
Buildings	187,937,851	51,430,201	4,211,325	243,579,377
Improvements other than buildings	76,933,808	6,962,028	0	83,895,836
Furniture & equipment	7,401,499	4,587,735	520,744	12,509,978
Construction work in progress	0	2,050,676	0	2,050,676
Less accumulated depreciation	(69,198,258)	(20,850,243)	(2,206,334)	(92,254,835)
Total capital assets (net of accumulated depreciation)	206,792,897	47,407,094	2,525,735	256,725,726
<b>Total assets</b>	<b>258,885,215</b>	<b>51,296,240</b>	<b>2,565,287</b>	<b>312,746,742</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	1,857,902	993,236	34,193	2,885,331
Accrued liabilities	1,411,857	774,943	14,271	2,201,071
Contract retainages	238,048	0	0	238,048
Note payable	27,336	0	0	27,336
Customer deposits	0	337,673	0	337,673
Compensated absences	75,900	0	0	75,900
General obligations warrants payable - current	5,046,310	0	0	5,046,310
Revenue warrants payable - current	4,935,000	0	0	4,935,000
Deferred revenue	0	50,751	44,374	95,125
Due to other funds	635,187	0	24,855	660,042
<b>Total current liabilities</b>	<b>14,227,540</b>	<b>2,156,603</b>	<b>117,693</b>	<b>16,501,836</b>
<b>Noncurrent liabilities</b>				
General obligation warrants payable (net of unamortized premium & deferred amount on refunding)	57,440,608	0	0	57,440,608
Revenue warrants payable	66,865,000	0	0	66,865,000
Compensated absences	683,100	0	0	683,100
<b>Total noncurrent liabilities</b>	<b>124,988,708</b>	<b>0</b>	<b>0</b>	<b>124,988,708</b>
<b>Total liabilities</b>	<b>139,216,248</b>	<b>2,156,603</b>	<b>117,693</b>	<b>141,490,544</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	87,129,100	47,407,094	2,525,735	137,061,929
Restricted for capital projects	12,046,366	0	0	12,046,366
Unrestricted	20,493,501	1,732,543	(78,141)	22,147,903
<b>Total net assets</b>	<b>\$119,668,967</b>	<b>\$49,139,637</b>	<b>\$2,447,594</b>	<b>\$171,256,198</b>

(1) The Municipal IcePlex Fund is the only nonmajor proprietary fund

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS  
 For the Year Ended September 30, 2009**

	<b>Business-Type Activities -- Enterprise Funds</b>			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
<b>Operating revenue</b>				
Charges for services	\$32,905,736	\$7,146,456	\$917,173	\$40,969,365
<b>Total operating revenue</b>	<b>32,905,736</b>	<b>7,146,456</b>	<b>917,173</b>	<b>40,969,365</b>
<b>Operating expenses</b>				
Personnel, operations & maintenance	10,915,603	7,289,086	693,048	18,897,737
Utilities	1,862,498	1,522,538	214,423	3,599,459
Depreciation and amortization	5,573,686	1,247,511	139,579	6,960,776
<b>Total operating expenses</b>	<b>18,351,787</b>	<b>10,059,135</b>	<b>1,047,050</b>	<b>29,457,972</b>
<b>Operating income (loss)</b>	<b>14,553,949</b>	<b>(2,912,679)</b>	<b>(129,877)</b>	<b>11,511,393</b>
<b>Nonoperating revenue (expenses)</b>				
Gifts & donations	0	0	30,000	30,000
Interest income	70,231	32,434	73	102,738
Interest expense	(5,657,962)	(117)	0	(5,658,079)
Miscellaneous revenue (expense)	11,493	92,474	0	103,967
Total nonoperating revenue (expenses)	(5,576,238)	124,791	30,073	(5,421,374)
<b>Income before contributions, transfers &amp; special items</b>	<b>8,977,711</b>	<b>(2,787,888)</b>	<b>(99,804)</b>	<b>6,090,019</b>
Capital contributions	14,495	0	0	14,495
Transfers in	0	3,389,097	3,350	3,392,447
Transfers (out)	0	0	0	0
<b>Change in net assets</b>	<b>8,992,206</b>	<b>601,209</b>	<b>(96,454)</b>	<b>9,496,961</b>
Total net assets, beginning	110,676,761	48,538,428	2,544,048	161,759,237
<b>Total net assets, ending</b>	<b>\$119,668,967</b>	<b>\$49,139,637</b>	<b>\$2,447,594</b>	<b>\$171,256,198</b>

(1) The Municipal IcePlex Fund is the only nonmajor proprietary fund

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the Year Ended September 30, 2009**

Page 1 of 2

<b>Business-Type Activities -- Enterprise Funds</b>				
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
<b>Operating activities</b>				
Receipts from customers and users	\$32,906,183	\$9,034,222	\$911,476	\$42,851,881
Payments to suppliers	(7,313,834)	(8,060,951)	(459,234)	(15,834,019)
Payments to employees	(6,399,697)	(3,068,206)	(438,870)	(9,906,773)
Receipts from interfund services provided	3,637,589	0	0	3,637,589
Non-operating cash receipts	0	112,553	16,713	129,266
Non-operating cash payments	0	(20,079)	0	(20,079)
<b>Net cash provided (used) by operating activities</b>	<b>22,830,241</b>	<b>(2,002,461)</b>	<b>30,085</b>	<b>20,857,865</b>
<b>Noncapital financing activities</b>				
Transfers in	0	2,164,566	3,350	2,167,916
Transfers (out)	0	0	0	0
<b>Net cash provided (used) by noncapital financing activities</b>	<b>0</b>	<b>2,164,566</b>	<b>3,350</b>	<b>2,167,916</b>
<b>Capital and related financing activities</b>				
Acquisition and construction of capital assets	(16,332,415)	(310,209)	(43,707)	(16,686,331)
SRF loan fund drawdowns	2,641,406	0	0	2,641,406
Intergovernmental grants	0	0	0	0
Principal payments on capital leases	0	(3,887)	0	(3,887)
Principal payments on notes and warrants	(9,227,600)	0	0	(9,227,600)
Payment of capital asset accounts payable	0	0	0	0
Interest paid on capital leases	0	(54)	0	(54)
Interest paid on notes and warrants	(5,549,678)	0	0	(5,549,678)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(28,468,287)</b>	<b>(314,150)</b>	<b>(43,707)</b>	<b>(28,826,144)</b>
<b>Investing activities</b>				
Interest received	70,231	32,371	73	102,675
<b>Net cash provided (used) by investing activities</b>	<b>70,231</b>	<b>32,371</b>	<b>73</b>	<b>102,675</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(5,567,815)</b>	<b>(119,674)</b>	<b>(10,199)</b>	<b>(5,697,688)</b>
Cash and cash equivalents, beginning	18,123,463	2,145,345	43,197	20,312,005
<b>Cash and cash equivalents, ending</b>	<b>\$12,555,648</b>	<b>\$2,025,671</b>	<b>\$32,998</b>	<b>\$14,614,317</b>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the Year Ended September 30, 2009**

	<b>Business-Type Activities -- Enterprise Funds</b>			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
<b>Operating income (loss)</b>	\$14,553,949	(\$2,912,679)	(\$129,877)	\$11,511,393
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation and amortization	5,573,686	1,247,511	139,579	6,960,776
Miscellaneous items	18,998	121,188	0	140,186
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:				
Change in assets and liabilities:				
Receivables	447	1,256,481	0	1,256,928
Accounts payable	(1,056,233)	(1,246,263)	6,101	(2,296,395)
Contract retainages	(129,310)	0	0	(129,310)
Prepaid items	0	55,255	0	55,255
Due to (from) other funds	3,637,589	0	0	3,637,589
Accrued liabilities	231,115	64,827	2,423	298,365
Deferred revenue	0	(548,180)	11,016	(537,164)
Other items	0	(40,601)	843	(39,758)
<b>Net cash provided (used) by operating activities</b>	<b>\$22,830,241</b>	<b>(\$2,002,461)</b>	<b>\$30,085</b>	<b>\$20,857,865</b>

**Supplemental information**

Noncash activities

Debt transferred from other funds, proceeds in other funds	14,002,267	\$0	\$0	\$14,002,267
Transfers in of net capital assets	\$14,495	\$1,224,531	\$0	\$1,239,026

(1) The Municipal IcePlex Fund is the only nonmajor proprietary fund

**CITY OF HUNTSVILLE  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
September 30, 2009**

	<u>Post-Retirement Benefits Trust</u>
<b>ASSETS</b>	
Cash & investments, at cost	
U.S. Treasury securities money market funds	<u>\$1,936,006</u>
<b>Total assets</b>	<u>1,936,006</u>
<b>LIABILITIES</b>	
Accounts payable	<u>288,466</u>
<b>Total liabilities</b>	<u>288,466</u>
<b>NET ASSETS</b>	
Held in trust for other postemployment benefits	<u><u>\$1,647,540</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended September 30, 2009**

	<u>Post-Retirement Benefits Trust</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$2,433,540
Plan members	<u>923,409</u>
Total contributions	<u>3,356,949</u>
Investment earnings:	
Interest	<u>2,186</u>
Net investment earnings	<u>2,186</u>
<b>Total additions</b>	<u>3,359,135</u>
<b>DEDUCTIONS</b>	
Benefits	<u>2,446,173</u>
<b>Total deductions</b>	<u>2,446,173</u>
<b>Change in net assets</b>	912,962
Net assets, beginning	<u>734,578</u>
<b>Net assets, ending</b>	<u><u>\$1,647,540</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE  
DISCRETELY PRESENTED COMPONENT UNITS  
COMBINING STATEMENT OF NET ASSETS  
September 30, 2009**

	<b>Business-Type Activities</b>			<b>Governmental Activities</b>		<b>Total</b>
	<b>Huntsville Utilities</b>			<b>HMC CVB</b>	<b>DRA</b>	
	<b>Electric</b>	<b>Water</b>	<b>Gas</b>			
<b>ASSETS</b>						
Cash & investments, at cost	\$48,029,835	\$3,276,655	\$14,878,268	\$1,226,061	\$3,212	\$67,414,031
Receivables (net of allowances)	27,053,595	1,745,230	2,364,414	0	0	31,163,239
Due from governmental entities	0	0	0	39,078	0	39,078
Inventories	5,512,652	1,502,647	9,726,049	5,894	0	16,747,242
Prepaid items	8,499	1,818	116	23,973	0	34,406
Deferred costs	850,692	1,065,635	191,383	2,578	0	2,110,288
Restricted assets						
Cash & investments, at cost	31,342,729	25,505,547	16,710,615	0	0	73,558,891
Capital assets						
Land and construction in process	8,537,492	5,779,105	1,464,576	0	0	15,781,173
Other assets, net of accum. depreciation	233,157,703	158,094,104	83,459,497	319,528	0	475,030,832
<b>Total assets</b>	<b>354,493,197</b>	<b>196,970,741</b>	<b>128,794,918</b>	<b>1,617,112</b>	<b>3,212</b>	<b>681,879,180</b>
<b>LIABILITIES</b>						
Accounts payable	41,728,861	1,798,305	1,730,457	81,833	0	45,339,456
Accrued liabilities	4,356,610	2,683,679	1,742,911	59,149	0	8,842,349
Customer deposits	35,454,623	4,408,202	8,791,423	0	0	48,654,248
Liabilities payable from restricted assets:						
Other	311,158	775,466	62,786	0	0	1,149,410
Noncurrent liabilities						
Due within one year	1,615,000	2,055,000	440,000	1,498	0	4,111,498
Due in more than one year	20,698,806	41,934,646	8,975,000	0	0	71,608,452
<b>Total liabilities</b>	<b>104,165,058</b>	<b>53,655,298</b>	<b>21,742,577</b>	<b>142,480</b>	<b>0</b>	<b>179,705,413</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	219,920,923	120,173,732	75,637,670	319,528	0	416,051,853
Restricted for:						
Debt service	1,668,629	5,926,049	954,421	0	0	8,549,099
Capital projects	0	11,418,301	0	0	0	11,418,301
Other	5,184,137	1,431,190	2,074,543	0	0	8,689,870
Unrestricted	23,554,450	4,366,171	28,385,707	1,155,104	3,212	57,464,644
<b>Total net assets</b>	<b>\$250,328,139</b>	<b>\$143,315,443</b>	<b>\$107,052,341</b>	<b>\$1,474,632</b>	<b>\$3,212</b>	<b>\$502,173,767</b>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**COMBINING STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2009**

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Assets					
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Business-Type Activities			Governmental Activities		Total
					Huntsville Utilities			HMC CVB	DRA	
					Electric	Water	Gas			
<b>Component Units</b>										
Huntsville Utilities Electric System	444,790,953	\$451,206,677	\$0	\$0	\$6,415,724	\$0	\$0	\$0	\$0	\$6,415,724
Huntsville Utilities Water System	22,805,192	25,130,734	0	0	0	2,325,542	0	0	0	2,325,542
Huntsville Utilities Gas System	59,781,251	63,412,119	0	0	0	0	3,630,868	0	0	3,630,868
HMC CVB	1,940,652	4,951	12,500	0	0	0	0	(1,923,201)	0	(1,923,201)
DRA	0	0	0	0	0	0	0	0	0	0
<b>Total component units</b>	<b>\$529,318,048</b>	<b>\$539,754,481</b>	<b>\$12,500</b>	<b>\$0</b>	<b>6,415,724</b>	<b>2,325,542</b>	<b>3,630,868</b>	<b>(1,923,201)</b>	<b>0</b>	<b>10,448,933</b>
General Revenues										
Other taxes					\$0	\$0	\$0	\$450,382	\$0	\$450,382
Interest on investments					591,075	77,629	655,143	3,280	6	1,327,133
Other					0	0	0	1,631,704	0	1,631,704
Capital contributions					0	4,718,507	440,525	0	0	5,159,032
<b>Total general revenues &amp; transfers</b>					<b>591,075</b>	<b>4,796,136</b>	<b>1,095,668</b>	<b>2,085,366</b>	<b>6</b>	<b>8,568,251</b>
<b>Change in net assets</b>					<b>7,006,799</b>	<b>7,121,678</b>	<b>4,726,536</b>	<b>162,165</b>	<b>6</b>	<b>19,017,184</b>
Net assets, beginning					243,321,340	136,193,765	102,325,805	1,312,467	3,206	483,156,583
<b>Net assets, ending</b>					<b>\$250,328,139</b>	<b>\$143,315,443</b>	<b>\$107,052,341</b>	<b>\$1,474,632</b>	<b>\$3,212</b>	<b>\$502,173,767</b>

The accompanying notes are an integral part of this statement.

**City of Huntsville  
Notes To The Financial Statements  
September 30, 2009**

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**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Huntsville, Alabama (the “City”) was incorporated December 9, 1811 under an act of the Mississippi Territorial Legislature and is operated under a Mayor-Council form of government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and so data from these units are combined with the data of the primary government. Each discretely presented component unit is reported in a separate column in a combining statement in the basic financial statements with the total of all discretely presented component units reported in the government-wide financial statements to emphasize that they are legally separate from the City. Each blended and discretely presented component unit has a September 30 year end.

Blended Component Unit

- Public Building Authority - The Public Building Authority (Authority) of the City of Huntsville was organized for the sole purpose of constructing a public safety and municipal court facility, including the city jail, for lease to and use by the City. The Authority is governed by a three-member board which is appointed by the City Council. The Authority is reported as a Special Revenue fund type.

Discretely Presented Component Units

- Huntsville Utilities - The Huntsville Utilities (Utilities) provides utility services to residents of the City. The Utilities is governed by three legally separate boards which are appointed by the City Council: the Huntsville Electric Utility Board, the Huntsville Water Utility Board, and the Huntsville Natural Gas Utility Board. All significant Board actions require substantive approval by the City Council, and the City is secondarily liable for the outstanding debt of the Utilities. The financial statements related to the three boards have been stated separately. The Utility Systems are presented as Proprietary Fund types.
- Huntsville/Madison County Convention and Visitors Bureau (HMC CVB) - The HMC CVB provides advertising and promotional activities to help promote tourism and economic development in the Huntsville/Madison County area. The HMC CVB is governed by a seven-member board. Four members are appointed by the City government and three appointed by the County government. The City is obligated to provide significant financial assistance to the HMC CVB in the form of liquor and lodging tax receipts collected by the City. The HMC CVB is presented as a Governmental Fund type.
- Downtown Redevelopment Authority (DRA) - The DRA was created by Act of the Alabama Legislature to revitalize and restore the City’s downtown area. The DRA is governed by a nine-member board appointed by the City Council. All DRA projects require substantive approval by the City Council. The DRA is presented as a Governmental Fund type.

Complete financial statements for each of the individual component units may be obtained at the administrative offices of the entities.

Huntsville Utilities  
112 Spragins Street  
Huntsville, Alabama 35801

Public Building Authority  
4<sup>th</sup> Floor Municipal Building  
308 Fountain Circle  
Huntsville, Alabama 35801

Huntsville/Madison County  
Convention and Visitors Bureau  
500 Church Street  
Huntsville, Alabama 35801

Downtown Redevelopment Authority  
4<sup>th</sup> Floor Municipal Building  
308 Fountain Circle  
Huntsville, Alabama 35801

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**B. Government-wide and Fund Financial Statements**

Financial information of the City, the primary government, and the Utilities, the HMC CVB and the DRA, the City's component units, is presented as follows:

- *Management's discussion and analysis* introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- *Basic Financial Statements*: Government-wide financial statements consist of a statement of net assets and a statement of activities.

These statements report all of the non-fiduciary activities of the primary government and its component units. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges from services and are usually intended by management to be financially self-sustaining.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes and other items, are presented as general revenues.

- *Fund financial statements* consist of a series of statements focusing on information about the City's major governmental and enterprise funds. Separate financial statements are presented for the governmental, and proprietary.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Property taxes (if levied), other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.
- The *Debt Service Fund* of the City accounts for the servicing of most long-term debt not being financed by Proprietary Funds. Sources of funds for the servicing of the debt include property taxes restricted for debt service through the 6½ Mill property tax accounted for in the Special Revenue Fund, and a portion of sales taxes transferred from the General Fund to the Capital Improvement Fund.
- The *Public Building Authority Fund* of the City accounts for the construction of a public safety and municipal court facility, including the city jail, for lease to and use by the City.
- The *Special Revenue Fund* of the City accounts for revenue sources that are legally restricted to expenditures for specific purposes according to state or federal law. This fund does not include federal and state grant revenues that pertain to the operating activities of various city departments and are accounted for in the General Fund.
- The *Capital Improvement Fund* of the City accounts for the cost of constructing a variety of public works projects and related debt service, and the cost of various City departments' capital spending activities. Financing is provided by general obligation debt, a transfer from the General Fund of approximately twenty-five percent of annual sales taxes, and interest revenue.

The City reports the following major enterprise funds:

- The *Water Pollution Control Fund* accounts for sanitary sewer services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service.
- The *Von Braun Center Fund* accounts for the operation and maintenance of a City-owned civic auditorium and arts center that derives its revenues primarily from rents and fees charged for use of the facilities.

Additionally, the City reports the following fund types:

Governmental Funds:

- The *Special Revenue Funds*, a fund type to be distinguished from, but which includes The Special Revenue Fund described above, account for revenue sources that are legally restricted to expenditures for specific purposes and generally pertain to the operating activities of various City departments (including City activities managed by separate boards) and the Public Building Authority. Such funds are established when required by statute, charter provision, local ordinance, or executive decision to finance particular functions or activities.
- The *Capital Projects Funds* account for the acquisition of capital assets or construction of major capital projects not being financed by Proprietary.
- The *Permanent Funds* account for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the City's programs.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Proprietary Funds:

- *Enterprise Funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary Funds:

- *The Post Retirement Benefits Trust Fund* accounts for the activities of the City's post-retirement medical benefits plan, which accumulates resources for post-employment benefit payments to qualified employees.

The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 in accounting and reporting for its proprietary operations.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expense from nonoperating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Pollution Control and Von Braun Center enterprise funds are charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, Liabilities, and Net Assets or Equity**

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value except for money market investments which include short-term, highly liquid debt instruments which are reported at cost or amortized cost. Any differences between the market value and cost of investments, other than short-term money market investments, are reflected in investment income.

The Utilities considers all highly liquid temporary cash investments with low interest rate risk to be cash equivalents. Cash purchases and sales of these investments generally are part of the Utilities' cash management activities rather than part of its operating, investing and financing activities, and details of these transactions are not reported in the statement of cash flows. Special funds are provided for under trust indentures and are not considered cash equivalents. All special funds are considered investments for purposes of classifications in the statement of cash flows.

Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectibles.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Amounts receivable from federal, state, county, and local governments are classified as “due from other governmental entities.” No individually significant amounts were due from any single entity as of September 30, 2009.

Noncurrent portions of long-term receivables due to Governmental Funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets. Recognition of Governmental Fund type revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loans receivable are offset by fund balance reserve accounts.

Property taxes are assessed on October 1 and levied on the subsequent October 1 for the fiscal year beginning on the levy date, at which time a lien is attached. These taxes are due and payable on October 1 (levy date) and delinquent after December 31 in each year (except with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid by the June 15 following the due date, a tax sale is required to be held. Revenue is recognized in the year when the taxes are levied and collected. The taxes are collected by the Madison County tax collector and remitted to the City net of a collection fee ranging from 1 to 5 percent for the different taxes.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of Governmental Fund type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The use of certain assets is restricted pursuant to debt covenants or other externally-imposed restrictions. The amount of these assets is reported as restricted net assets in the basic financial statements. Restricted assets generally consist of the following: (1) resources set aside for the repayment of long-term debt pursuant to debt covenants and state law are “restricted for debt service,” (2) the unexpended portion of debt proceeds that are restricted for use in construction are “restricted for capital projects”, (3) property taxes collected by the City restricted for public school purposes are “restricted for city schools”, and (4) resources restricted for specific purposes pursuant to state and federal law are “restricted for other.”

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), including infrastructure assets acquired prior to 1980, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets tangible in nature, with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed.

Property, plant and equipment of the component units are generally recorded using the same policy as the City.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Depreciation of all exhaustible capital assets except infrastructure is charged as an expense against their operations or functions whereas the infrastructure depreciation is unallocated. Property, plant, and equipment of the primary government, as well as the component units is depreciated using the straight-line method over the estimated useful lives as follows:

Buildings	25-50 years
Sidewalks, streets, and bridges	50 years
Traffic signals	10-20 years
Utility plants in service	40-50 years
Improvements:	
Pumping stations	50 years
Outfall lines	50 years
Land improvements	25 years
Surface lots	10 years
Furniture and equipment	5-12 years
Greenways	15 years
Drainage systems	50 years

Compensated Absences

All full-time employees of the City accumulate vacation (annual leave), compensatory time, holiday and sick leave during the calendar year. On January 1 of each year vacation hours in excess of 260 are forfeited. Employees are encouraged to use all compensatory time as soon as possible after it is earned. Compensatory time accumulated through December 31 each year is forfeited if not used by June 30 of the following year. Sick leave is accumulated with no year end forfeiture; holiday leave accumulated in each calendar year after 1986 must be used by June 30 of the following year or is forfeited. Upon termination, an employee will be paid a maximum of 260 hours vacation, 160 hours compensatory time and 240 hours holiday.

Accumulated hours in excess of the aforementioned limits and all accumulated sick leave is forfeited. However, if termination is due to retirement, the employee will be paid for 50% of accumulated sick leave.

At September 30, vacation in excess of 260 hours and all accumulated compensatory time is accrued as a current liability in all funds since most employees would be expected to use the leave currently instead of forfeiting these amounts. Accumulated vacation and holiday up to 260 and 240 hours, respectively, and the estimated amount of sick leave payable upon retirement is considered to be and is accrued as a long-term liability.

The compensated absences policy of the Utilities is substantially the same as stated above except the maximum accumulated vacation is 280 hours and if termination is due to retirement, the employee will be paid 25% of accumulated sick leave.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds and warrants payable are reported net of the applicable premium or discount. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Equity

In the fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally restricted for a specific purpose, but only if the restrictions are narrower in scope than the purposes for which the related individual funds were established. Reservations of retained earnings are limited to external third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$523,178,143 difference are as follows:

Warrants Payable	\$492,733,245
Less: Deferred charge on refunding (to be amortized as interest expense)	(9,532,616)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(5,291,194)
Plus: Issuance premium (to be amortized as interest expense)	17,980,694
Deferred revenue	(1,129,151)
Accrued interest payable	6,853,116
Capital leases payable	234,049
Claims and judgments	3,180,000
Compensated absences	<u>18,150,000</u>
 Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	 <u>\$523,178,143</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$5,365,968 difference are as follows:

Capital outlay	\$43,235,385
Depreciation expense	<u>(37,869,417)</u>
 Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$5,365,968</u>

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED**

Another element of that reconciliation states that “the issuance of long-term debt (i.e., warrants and leases) provide current financial resources and the repayment of the principal of long-term debt consumes the current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$47,744,625 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation debt	\$147,538,000
Plus premiums	9,662,918
Less transfers to escrow agent on refunded debt	0
Principal repayments:	
General obligation debt	(106,758,700)
Payment on capital leases	(528,540)
Amortization of premium and refunding loss (net)	(279,832)
Deferral of issuance costs (net)	(919,309)
Accrued interest	<u>(969,912)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$47,744,625</u></u>

Another element of that reconciliation states that “other expenses reported in the statement of activities that do not require current financial resources.” The details of this \$70,000 difference is as follows:

Claims and judgments	<u>\$70,000</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$70,000</u></u>

**C. Explanation of net assets invested in capital assets of the governmental activities in the government-wide statement of net assets**

A portion of the net assets reported in the statement of net assets is restricted as invested in capital assets (e.g. land, buildings, streets, and bridges) because these assets are not available for future spending (not because of externally-imposed restrictions). These assets are reported net of debt used to acquire those assets, as follows:

Governmental activities capital assets, net	\$999,515,793
Less debt outstanding expended for capital assets	(306,924,265)
Less the outstanding value of capital leases expended for capital assets	(234,049)
Plus deferred issue costs associated with debt expended for capital assets	<u>3,804,288</u>
Net assets invested in capital assets, net of related debt	<u><u>\$696,161,767</u></u>

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**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The following section describes the budgeted and non-budgeted funds:

Annually-Budgeted Governmental Funds

General Fund  
The Special Revenue Fund  
Capital Projects Funds

Governmental Funds Not Annually-Budgeted

**Special Revenue Funds**

Community Development Fund  
Community Development Rehabilitation Loan Fund  
Public Library Fund  
Burritt Museum Fund  
Alabama Constitution Village Fund  
Art Museum Fund  
Public Building Authority Fund  
Huntsville Tennis Center Fund

**Debt Service Fund**

**Permanent Fund**

The Public Library Fund, Burritt Museum Fund, Art Museum Fund, Huntsville Tennis Center, Federal Building Authority, and Alabama Constitution Village Fund are managed by separate boards appointed by City Council, but are not separate legal entities, and are independent of the City's budgeting process. The Public Building Authority Fund is a blended component unit of the City which is managed by a separate board appointed by the City Council and is independent of the City's budgeting process. The Community Development Fund and the Community Development Rehabilitation Loan Fund adopt project-length budgets as prescribed by grantor provisions. The Debt Service Fund is not annually budgeted since budgetary control exists through general obligation bond indenture provisions.

The City follows these procedures in establishing the budgetary data reflected in the financial statements of the annually - budgeted funds:

1. Around May 1, instructions and budget workpapers are distributed to departments and a revenue estimate for the following fiscal year is prepared.

2. Between June 1 and September 1 the following steps occur:

Departments return copies of completed budget request forms to the Finance Department.

The Mayor and budget staff begin individual departmental reviews and prepare recommended changes to departmental budgets.

The Mayor submits recommended departmental changes to individual departments affected with a copy submitted to the City Council Finance Committee.

Departments incorporate recommended budget changes and update budget schedules.

The Mayor's recommended budget is finalized for submission to the City Council.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED**

3. Between September 1 and September 30 these final steps occur:

The Mayor presents the proposed budget to the City Council.

The City Council takes final action for approval of the operating budget by the beginning date of the fiscal year. The annual budget is prepared by fund, department, division, activity, and object. For the General Fund and other funds that include operating City departments, the Mayor, or appointed City staff, is authorized to make budget transfers by object within the activity categories of each department: personal services, operating expenses and capital outlay. For annually-budgeted Special Revenue Funds, the Mayor, or appointed City staff, is authorized to make budget transfers within the fund. Transfers of appropriations between activity categories of operating departments or between funds and special appropriations require approval of the City Council. The legal level of budgetary control is by activity for General Fund departments and by fund for annually-budgeted Special Revenue Funds. Budget amendments were made and approved by City Council for annually-budgeted funds during the year which were not significant relative to the total budget. The original and final/amended budget amounts are reflected in these financial statements.

Encumbrance accounting is employed in Governmental Funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end lapse, and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. As such, encumbrances at year-end are reported as designations of fund balances.

**B. Excess of Expenditures Over Appropriations**

The following funds incurred expenditures in excess of appropriations of the following amounts for the year ended September 30, 2009:

**General Fund**

Current Expenditures:

*General Government:*

Administration - personnel (a)	11,516
City Council - personnel(a)	14,516
General expenses - personnel(a)	687,612
Legal - personnel	21,427

*Public Safety:*

Fire and Rescue - personnel(a)	1,060,388
Municipal court - personnel(a)	74,767
Police - personnel	1,158,500

*Public Services:*

General Services - personnel(a)	109,407
General Services - operating	12,833
Landscape Management - personnel(a)	260,818
Parking - personnel	21,145

*Public Services:*

Public Transit - personnel(a)	102,926
Public Transit - capital	128,682
Public Works - personnel(a)	657,447
Recreation Services - personnel(a)	62,237

(a) Personnel deficits resulted primarily from the reallocation of excess health care costs to the departments after year-end.

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**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED**

**The Special Revenue Fund**

Current Expenditures:

<i>Public Safety:</i>	
Operating	40,434
<i>Public Services:</i>	
Operating	11,875

The excess expenditures were provided by available fund balance in the funds.

**C. Deficit Fund Equity**

As of September 30, 2009, the Public Building Authority Special Revenue Fund had a deficit fund balance of \$17,493,932, which will be funded through the recovery of proceeds from litigation, the issuance of debt, or contributions from the General Fund.

**NOTE 4 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The following information is provided to give an indication of the steps the City takes to protect its cash deposits and the level of risk assumed for certain investments. As of September 30, 2009, the City had the following cash and investments:

	<b>Primary Government</b>	<b>Discretely- Presented Component Units</b>	<b>Post Retirement Benefits Trust Fiduciary Fund</b>
Cash on hand and in banks	\$11,339,327	\$117,499,667	\$0
Investments:			
Money market mutual funds	179,188,638	20,767,828	1,936,006
U.S. Treasury obligations	237,502	0	0
Repurchase agreements	0	2,705,427	0
Total investments	179,426,140	23,473,255	1,936,006
Total	\$190,765,467	\$140,972,922	\$1,936,006

**Cash and investment policies**

State law limits the kinds of investments that Alabama municipalities can make to: (1) accounts and certificates of deposits with banks or saving associations that are qualified public depositories; (2) direct obligations of the U.S. Department of the Treasury and certain federal agencies (collectively referred in this note as “USTO”); (3) certain qualified obligations of any state and their agencies; and (4) common trust funds, collective investment funds maintained by qualified institutions, or any registered mutual funds, all of which must hold a prescribed amount of obligations meeting the requirements of 1 – 3 above.

City investment policy, which is established by ordinance, requires the same investments as required by state law.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Interest rate risk

The City and its discretely-presented component units (collectively referred in this note as “City entities”) manages their exposure to declines in fair values of investments due to market interest rate changes by limiting the maturity of their directly-held investments to less than one year, or by only purchasing obligations that it intends to hold to maturity. Directly-held investments having a maturity of more than one year are only purchased in connection with long-term construction projects, for which the risk having to liquidate the investments prior to maturity, and realize losses in fair value, are minimized. City entities limit their investments in mutual funds to those for which the underlying obligations have a weighted-average maturity of 180 days or less. The maturities of all investments is categorized as follows:

	<b>Primary Government</b>	<b>Discretely- Presented Component Units</b>	<b>Post Retirement Benefits Trust Fiduciary Fund</b>
Less than six months	\$179,188,638	\$0	\$1,936,006
Six months to one year	76,511	0	0
One to three years	160,991	20,767,828	0
Greater than three years	0	2,705,427	0
<b>Total</b>	<b>\$179,426,140</b>	<b>\$23,473,255</b>	<b>\$1,936,006</b>

Credit risk

As described above, state and City law limit the kind of investments City entities can make. All of the investments of the City entities were limited to directly-owned USTO or money market mutual funds that primarily hold USTO.

Concentration of credit risk

Other than it's investment in USTO or USTO mutual funds, the City entities did not have any single investment that had a value in excess of five percent of the their respective total investments.

Custodial credit risk

The City requires all bank deposits be insured by federal depository insurance or the Security for Alabama Funds Enhancement, or SAFE Program, which was the case for all bank deposits as of September 30, 2009, except for minor deposits in certain credit union accounts. The SAFE Program is administered by the State Treasurer according to State of Alabama statute, and any bank or financial institution in the State of Alabama accepting deposits of public funds is required to insure those funds by pledging eligible collateral to the State Treasurer for the SAFE collateral pool. The entire pool stands behind each deposit. Eligible collateral are those securities currently designated as acceptable collateral for state deposits as defined by State law. Also, the deposits with banks complied with state and City investment policies.

All of the City entities' direct investments in U.S. Treasury obligations were held by bank trust departments as agents of the City entities and in the respective entities' names.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**B. Capital Assets**

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance September 30, 2008	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2009
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$69,291,158	\$6,828,020	(\$1,203,959)	\$74,915,219
Construction in progress	63,518,771	16,483,928	(79,267,437)	735,262
Total capital assets, not being depreciated	132,809,929	23,311,948	(80,471,396)	75,650,481
Capital assets, being depreciated:				
Land improvements	34,119,170	884,274	0	35,003,444
Buildings and improvements	159,810,151	81,055,279	0	240,865,430
Furniture, equipment and other	79,366,635	3,873,344	(1,967,951)	81,272,028
Infrastructure	1,422,276,942	13,377,977	0	1,435,654,919
Total capital assets, being depreciated	1,695,572,898	99,190,874	(1,967,951)	1,792,795,821
Less accumulated depreciation for:				
Land improvements	(14,673,793)	(1,213,787)	0	(15,887,580)
Buildings and improvements	(49,314,637)	(4,217,380)	0	(53,532,017)
Furniture, equipment and other	(52,702,085)	(6,157,923)	1,894,806	(56,965,202)
Infrastructure	(716,265,383)	(26,280,327)	0	(742,545,710)
Total accumulated depreciation	(832,955,898)	(37,869,417)	1,894,806	(868,930,509)
Total capital assets, being depreciated, net	862,617,000	61,321,457	(73,145)	923,865,312
Governmental activities capital assets, net	\$995,426,929	\$84,633,405	(\$80,544,541)	\$999,515,793
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$6,944,694	\$0	\$0	\$6,944,694
Construction in progress	1,753,947	1,483,111	(1,186,382)	2,050,676
Total capital assets, not being depreciated	8,698,641	1,483,111	(1,186,382)	8,995,370
Capital assets, being depreciated:				
Buildings and improvements	310,754,289	16,720,924	0	327,475,213
Furniture, equipment and other	11,744,132	938,621	(172,775)	12,509,978
Total capital assets, being depreciated	322,498,421	17,659,545	(172,775)	339,985,191
Less accumulated depreciation for:				
Buildings and improvements	(79,476,518)	(6,226,037)	0	(85,702,555)
Furniture, equipment and other	(6,103,779)	(613,771)	165,270	(6,552,280)
Total accumulated depreciation	(85,580,297)	(6,839,808)	165,270	(92,254,835)
Total capital assets, being depreciated, net	236,918,124	10,819,737	(7,505)	247,730,356
Business-type activities capital assets, net	\$245,616,765	\$12,302,848	(\$1,193,887)	\$256,725,726

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

For the year ended September 30, 2009, depreciation expense and transfers-in of the primary government was as follows:

<u>Governmental activities:</u>	
General government	\$920,006
Public Safety	3,067,762
Public Services	7,216,897
Urban development	385,058
Total depreciation expense charged to functions/programs	<u>11,589,723</u>
Depreciation for infrastructure assets not allocated to the functions	<u>26,279,694</u>
Total depreciation expense	<u>37,869,417</u>
Transfers-in from business-type activities	<u>0</u>
Total depreciation and transfers-in – governmental activities	<u>\$37,869,417</u>
 <u>Business-type activities:</u>	
Water Pollution Control Fund	\$5,451,801
Von Braun Center Fund	1,247,511
Municipal Iceplex Fund	139,579
Total depreciation expense	<u>6,838,891</u>
Transfers-in from governmental-type activities	<u>917</u>
Total depreciation expense – business-type activities	<u>\$6,839,808</u>

Activity for the discretely presented component unit, Utilities, for the year ended September 30, 2009 was as follows:

	Balance September 30, 2008	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2009
<b>Utilities-Electric System:</b>				
Capital assets, not being depreciated:				
Land	\$4,288,600	\$21,000	\$0	\$4,309,600
Construction in progress	14,759,234	31,920,725	(42,452,067)	4,227,892
Total capital assets, not being depreciated	<u>19,047,834</u>	<u>31,941,725</u>	<u>(42,452,067)</u>	<u>8,537,492</u>
Capital assets, being depreciated:				
Buildings and improvements	348,037,865	29,067,214	(1,484,456)	375,620,623
Furniture, equipment and other	18,575,018	11,494,537	(1,814,069)	28,255,486
Total capital assets, being depreciated	<u>366,612,883</u>	<u>40,561,751</u>	<u>(3,298,525)</u>	<u>403,876,109</u>
Less accumulated depreciation	<u>(160,614,128)</u>	<u>(13,579,089)</u>	<u>3,474,811</u>	<u>(170,718,406)</u>
Total capital assets, being depreciated, net	<u>205,998,755</u>	<u>26,982,662</u>	<u>176,286</u>	<u>233,157,703</u>
Electric System capital assets, net	<u>\$225,046,589</u>	<u>\$58,924,387</u>	<u>(\$42,275,781)</u>	<u>\$241,695,195</u>
 <b>Utilities-Water System:</b>				
Capital assets, not being depreciated:				
Land	\$1,775,464	\$1,220,729	\$0	\$2,996,193
Construction in progress	7,778,581	19,713,949	(24,709,618)	2,782,912
Total capital assets, not being depreciated	<u>9,554,045</u>	<u>20,934,678</u>	<u>(24,709,618)</u>	<u>5,779,105</u>
Capital assets, being depreciated:				
Buildings and improvements	211,247,619	22,783,922	(376,392)	233,655,149
Furniture, equipment and other	5,377,243	2,528,884	(222,039)	7,684,088
Total capital assets, being depreciated	<u>216,624,862</u>	<u>25,312,806</u>	<u>(598,431)</u>	<u>241,339,237</u>
Less accumulated depreciation	<u>(78,563,387)</u>	<u>(5,207,041)</u>	<u>525,295</u>	<u>(83,245,133)</u>
Total capital assets, being depreciated, net	<u>138,061,475</u>	<u>20,105,765</u>	<u>(73,136)</u>	<u>158,094,104</u>
Water System capital assets, net	<u>\$147,615,520</u>	<u>\$41,040,443</u>	<u>(\$24,782,754)</u>	<u>\$163,873,209</u>

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

	Balance September 30, 2008	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2009
<b>Utilities-Gas System:</b>				
Capital assets, not being depreciated:				
Land	\$471,235	\$0	\$0	\$471,235
Construction in progress	1,440,914	7,150,294	(7,597,867)	993,341
Total capital assets, not being depreciated	<u>1,912,149</u>	<u>7,150,294</u>	<u>(7,597,867)</u>	<u>1,464,576</u>
Capital assets, being depreciated:				
Buildings and improvements	109,088,656	6,431,833	(304,578)	115,215,911
Furniture, equipment and other	7,458,537	1,786,243	(429,590)	8,815,190
Total capital assets, being depreciated	116,547,193	8,218,076	(734,168)	124,031,101
Less accumulated depreciation	(37,986,386)	(3,093,782)	508,564	(40,571,604)
Total capital assets, being depreciated, net	<u>78,560,807</u>	<u>5,124,294</u>	<u>(225,604)</u>	<u>83,459,497</u>
Gas System capital assets, net	<u>\$80,472,956</u>	<u>\$12,274,588</u>	<u>(\$7,823,471)</u>	<u>\$84,924,073</u>

Activity for the discretely presented component unit, the HMC CVB, for the year ended September 30, 2009 was as follows:

	Balance September 30, 2008	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2009
Capital assets, being depreciated:				
Furniture, equipment and other	\$660,732	\$1,383	\$0	\$662,115
Less accumulated depreciation	(294,687)	(47,900)	0	(342,587)
Total capital assets, being depreciated, net	<u>366,045</u>	<u>(46,517)</u>	<u>0</u>	<u>319,528</u>
Governmental activities capital assets, net	<u>\$366,045</u>	<u>(\$46,517)</u>	<u>\$0</u>	<u>\$319,528</u>

The discretely presented component unit, DRA, does not have any capital assets for the year ended September 30, 2009.

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**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**C. Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of September 30, 2009 is as follows:

**Transfers In/Out:**

Transfers Out:

From General Fund to			
Debt Service Fund	\$2,314,073		
The Special Revenue Fund	850,000		
Public Building Authority Fund	3,237,563		
Capital Improvement Fund	25,863,783		
Nonmajor Governmental funds	7,141,054		
Von Braun Center Fund	2,558,359		
Nonmajor Proprietary funds	<u>3,350</u>	\$41,968,182	
From The Special Revenue Fund to			
Debt Service Fund	49,441,065		
Capital Improvement Fund	5,967,212		
Von Braun Center Fund	<u>830,738</u>	56,239,015	
From Capital Improvements Fund to			
Debt Service Fund	64,010,554		
Public Building Authority Fund	1,309,000		
Nonmajor Governmental funds	<u>300,000</u>	65,619,554	
From Nonmajor Governmental funds to			
Nonmajor Governmental funds		<u>392,119</u>	
Subtotal		164,218,870	
Transfer of governmental funds net capital assets (from General Fund) to Water Pollution Control Enterprise Fund		<u>14,495</u>	
Total		<u><u>\$164,233,365</u></u>	

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**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Transfers In:

To Debt Service Fund from			
General Fund	\$2,314,073		
The Special Revenue Fund	49,441,065		
Capital Improvements Fund	<u>64,010,554</u>	\$115,765,692	
To The Special Revenue Fund from			
General Fund	850,000		
Capital Improvements Fund	<u>5,967,212</u>	6,817,212	
To Public Building Authority Fund from			
General Fund	3,237,563		
Capital Improvements Fund	<u>1,309,000</u>	4,546,563	
To Capital Improvements Fund from			
General Fund		25,863,783	
To Nonmajor Governmental funds from			
General Fund	7,141,054		
Capital Improvements Fund	300,000		
Nonmajor Governmental funds	<u>392,119</u>	7,833,173	
To Von Braun Center Fund from			
General Fund	2,558,359		
The Special Revenue Fund	<u>830,738</u>	3,389,097	
To Nonmajor Proprietary funds from			
General Fund		<u>3,350</u>	
Subtotal		164,218,870	
Transfer from governmental funds net capital assets (from			
General Fund) to Water Pollution Control Enterprise Fund		<u>14,495</u>	
		<u>\$164,233,365</u>	

In the fund financial statements, total transfers in of \$164,233,365 are greater than total transfers out of \$164,218,870 because the \$14,495 Water Pollution Control Enterprise Fund transfer in of net capital assets is not reported as a transfer out in the Governmental Funds fund financial statements.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**Due To/From Other Funds:**

Receivable Fund	Payable Fund	Amount	
<u>Governmental Funds</u>			
General Fund	Public Building Authority Fund	17,463,199	
	Nonmajor Governmental Funds	282,562	
	Water Pollution Control Fund	635,187	
	Nonmajor Proprietary Funds	<u>24,855</u>	18,405,803
Debt Service Fund	General Fund		11,294
The Special Revenue Fund	General Fund		9,005,147
Capital Improvement Fund	General Fund	26,986,761	
	The Special Revenue Fund	<u>5,412,606</u>	32,399,367
Nonmajor Governmental Funds	General Fund		<u>889,515</u>
<b>Total Governmental Funds</b>			<b><u>60,711,126</u></b>
<u>Proprietary Funds</u>			
Water Pollution Control Enterprise Fund	The Special Revenue Fund	6,879,778	
	Capital Improvement Fund	<u>13,999,851</u>	20,879,629
<b>Total Proprietary Funds</b>			<b><u>20,879,629</u></b>
<b>Total due to/from other funds</b>			<b><u>\$81,590,755</u></b>

In general, transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations. The due to/from balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

**D. Leases**

Operating Leases

The City leases buildings under noncancelable operating leases, for which the total costs were approximately \$514,000 in 2009. The future minimum lease payments by fiscal year are as follows:

2010	\$397,000
2011	281,000
2012	259,000
2013	168,000
2014	125,000
2015	<u>31,000</u>
Total	<u>\$1,261,000</u>

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Capital Leases

The City has entered into various lease agreements as lessee for financing the acquisition of equipment. These lease agreements are treated as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the basic financial statements.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Equipment	\$1,055,459	\$0
Less: accumulated amortization	(507,857)	0
<b>Total</b>	<b>\$547,602</b>	<b>\$0</b>

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2009 are as follows:

September 30	Governmental Activities	Business-Type Activities
2010	\$123,002	\$0
2011	30,517	0
2012	30,517	0
2013	30,517	0
2014	30,517	0
2015-2019	13,304	0
Total minimum lease payments	258,374	0
Less amount representing interest	(24,325)	0
Present value of minimum lease payments	<b>\$234,049</b>	<b>\$0</b>

The future debt service requirements of the governmental activities leases at September 30, 2009 will be provided by the General Fund and Public Library Special Revenue Fund.

**E. Long-Term Debt**

General Obligation Warrants

The City issues general obligation ("G.O.") warrants, which is a direct obligation and pledge of the full faith and credit of the City, for the following purposes:

- a. For the acquisition and construction of major capital facilities.
- b. On behalf of the Huntsville Board of Education for the construction of school facilities.
- c. To refund other G.O. warrants.
- d. To refund sewer revenue warrants, which, although it is G.O. debt, repayment is provided for by the sewer system revenues accounted for in the Water Pollution Control Enterprise Fund, a business-type activity of the City.
- e. For the construction of public improvements in the tax increment financing districts ("TIFs") of the City (see below).

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Lease Revenue Bonds

The Public Building Authority, a blended component unit of the City, issued bonds for the construction of a public safety and municipal court facility, including the city jail. Repayment of the bonds is secured by an annual lease payment the City is required to make to the Authority. The City imposed additional municipal court costs and pledged the revenue to pay a portion of the lease payment. Pursuant to the trust indenture, the Authority has deposited a surety bond having a value equal to the highest annual debt service on the bonds, in lieu of maintaining a debt service reserve. The Authority was in compliance with bond covenants at year-end. The bonds do not constitute a direct obligation and pledge of the full faith and credit of the City.

Sewer Revenue Warrants

The Alabama Water Pollution Control Authority permits local governments to participate in a State Revolving Loan Fund ("SRF") program, whereby the Authority issues debt on behalf of participating governments for the purpose of upgrading water and sewer treatment facilities and distribution systems. Pursuant to the SRF program, the City has issued several series of sewer revenue warrants ("SRF warrants") since 1995. The SRF warrants are secured by a pledge of sewer system revenues, which are accounted for in the Water Pollution Control Enterprise Fund, a business-type activity of the City, and the City has covenanted that the revenues will be maintained at the levels required by the terms of the SRF warrants.

The City is also obligated to treat the G.O. warrants issued for sewer purposes as described above in the same manner as the SRF warrants with respect to pledge and sufficiency of system revenues, although they are general obligations of the City.

The SRF warrants do not constitute a direct obligation and pledge of the full faith and credit of the City.

Tax Increment Financing Districts Debt

As described above, the City has issued G.O. warrants for the construction of public improvements in the City's TIFs. The City intends to repay the warrants from the proceeds of tax increment revenues accounted for in The Special Revenue Fund, but the G.O. warrants are not secured by such revenues or any other pledge.

Source of Repayment of Long-Term Debt

Repayment of the City's long-term debt is generally provided for as follows:

<b>Type of Debt</b>	<b>Paid From</b>	<b>Resources Provided By</b>
<u>Governmental Activities:</u>		
G.O. warrants - major capital facilities	Debt Service Fund	The Special Revenue Fund, General Fund and Capital Improvements Fund
G.O. warrants - school facilities	Debt Service Fund	The Special Revenue Fund
G.O. warrants - TIFs	Debt Service Fund	The Special Revenue Fund
Lease revenue bonds	Public Building Authority Fund	General Fund and Capital Improvements Fund
<u>Business-Type Activities:</u>		
G.O. warrants (sewer) and SRF sewer revenue warrants	Water Pollution Control Fund	Water Pollution Control Fund

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Utility Revenue Warrants - Huntsville Utilities Component Unit

The City of Huntsville Electric System, City of Huntsville Water System and City of Huntsville Gas System, discrete component units, have issued revenue warrants for the purpose of constructing additions to their capital facilities and for refunding other revenue warrants. Repayment of the warrants are secured by net revenues of the respective systems, after deducting certain operating costs. Pursuant to trust indentures effective for the warrants, the systems are also required to maintain debt service reserve accounts for a portion of the outstanding principal. The systems were in compliance with the reserve requirements at year-end.

These warrants do not constitute a direct obligation and pledge of the full faith and credit of the City.

Advance and Current Refundings

The City has issued refunding warrants to provide for the current and advance refunding of other debt. For advance-refunded warrants, the City uses the refunding warrant proceeds to purchase U.S. Government State and Local Government Series securities that are placed in an irrevocable trust for the purpose of funding debt service requirements of the refunded warrants. As a result, the refunded warrants are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. Any resulting economic gain or loss is deferred and amortized over the lesser of the remaining life of the refunded or refunding warrants.

**Current Refundings**

There are no past refunding transactions for which the refunded warrants are still outstanding on September 30, 2009.

**Advance Refundings**

Advance refunding transactions for the current year, and prior years for which the refunded warrants are still outstanding on September 30, 2009, were as follows (in thousands):

Fiscal Year	<u>Refunding Warrants</u>		<u>Refunded Warrants</u>		Debt Service Diff. (a)	Economic Gain (Loss)
	Series	Face Amount	Series	Refunded Amount		

**PRIMARY GOVERNMENT**

Governmental Activities:

2009	2009PBA	\$56,325	2002PBA	\$52,815	\$50,125	not appl.	\$6,704
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(a) includes debt service savings and savings realized up-front in cash in the refunding transaction.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Outstanding Debt

The amount of debt outstanding at September 30, 2009, and information related to it was as follows:

Series	Face Amount (thousands)	Dated	Final Maturity	Interest Rates (%)	Principal Maturities (thousands)	Ending Balance (thousands)	Amount Due Within One Year (thousands)
<b>PRIMARY GOVERNMENT</b>							
<u>Governmental Activities</u>							
<i>G.O. Warrants</i>							
2002A	\$42,130	5/1/2002	5/1/2022	4.0 - 5.75	1,325 - 3,270	\$31,635	\$1,770
2002B (a)	9,365	5/1/2002	5/1/2031	5.1 - 5.25	580 - 1,020	9,365	0
2002C	10,890	5/1/2002	5/1/2012	4.4 - 6.4	65 - 95 (b)	10,440	90
2002E	18,685	8/1/2002	8/1/2012	4.0 - 5.5	825 - 2,145	6,155	1,965
2002F	23,465	8/1/2002	8/1/2013	4.0 - 5.5	895 - 2,600	8,765	2,350
2003A	24,700	2/1/2003	2/1/2023	2.0 - 5.0	850 - 1,870	19,280	1,000
2003C	53,955	11/1/2004	11/1/2024	2.0 - 5.0	675 - 3,115	34,825	1,710
2005A	72,485	2/1/2005	2/1/2020	3.7 - 6.25	1,425 - 9,915	37,530	9,915
2005B	11,125	2/1/2005	2/1/2011	5.0 - 5.5	975 - 2,120	4,125	2,005
2005C	68,070	10/1/2006	10/1/2031	3.0 - 5.0	715 - 4,530	62,810	1,915
2007A (nonsewer)	31,967	5/1/2008	5/15/2014	4.0 - 5.0	325 - 1,825	31,881	646
2008B	3,500	5/24/2008	5/1/2028	3.84	220 - 282	2,595	480
2008A	8,955	12/4/2008	1/1/2014	3.99	205 - 615 (c)	8,750	530
2009A (nonsewer)	66,838	3/4/2009	9/1/2029	2.75 - 5.0	2,077 - 7,312	66,838	6,318
2009B	71,745	3/4/2009	9/1/2029	2.25 - 5.0	2,560 - 4,735	71,745	4,250
<i>Total G.O.</i>	<u>517,875</u>					<u>406,739</u>	<u>34,944</u>
<u>Outstanding Debt - Continued</u>							
<i>Lease Revenue Bonds - Public Building Authority</i>							
2007	86,415	9/18/2007	10/1/2036	4.0 - 5.0	420 - 5,700	85,995	440
<i>Total L.R.B.</i>	<u>86,415</u>					<u>85,995</u>	<u>440</u>
<b>Total governmental activities</b>	<b><u>604,290</u></b>					<b><u>492,734</u></b>	<b><u>35,384</u></b>

(a) Series 2002B are taxable warrants.

(b) Series 2002C has a balloon maturity payment of \$10,255,000 on May 1, 2012.

(c) Series 2008A has a balloon maturity payment of \$6,460,000 on January 1, 2014.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Series	Face Amount (thousands)	Dated	Final Maturity	Interest Rates (%)	Principal Maturities (thousands)	Ending Balance	Amount Due Within One Year
<b><u>Business-Type activities</u></b>							
<i>G.O. Warrants - sewer system</i>							
2002D	35,795	8/1/2002	11/1/2015	4.0 - 5.5	1,290 - 3,635	21,550	2,585
2003B	19,485	4/1/2003	8/1/2016	2.0 - 5.25	1,220 - 1,915	11,630	1,450
2007A (Sewer portion)	17,123	5/1/2007	5/15/2014	4.0 - 5.0	325 - 725	16,219	599
2009A (Sewer portion)	13,132	3/4/2009	9/1/2029	2.75 - 5.0	412 - 980	13,132	412
	<u>85,535</u>					<u>62,531</u>	<u>5,046</u>
<i>Sewer Revenue Warrants - State Revolving Loan Fund</i>							
1996	22,380	1/26/1996	8/15/2017	3.18	775 - 1,550	10,940	1,200
1998	17,435	1/27/1998	8/15/2020	3.75	595 - 1,215	11,165	835
1998B	16,760	12/1/1998	8/15/2020	3.50	590 - 1,145	10,635	805
2000	15,180	12/22/1999	8/15/2021	3.85	515 - 1,070	10,455	700
2001	13,045	12/14/2000	8/15/2022	3.85	440 - 920	9,570	580
2006	16,000	11/8/2006	8/15/2026	3.25	580 - 1,070	14,210	635
2008	5,000	5/1/2008	2/15/2028	3.50	175 - 340	4,825	180
	<u>105,800</u>					<u>71,800</u>	<u>4,935</u>
<b>Total business-type activities</b>	<u><b>191,335</b></u>					<u><b>134,331</b></u>	<u><b>9,981</b></u>
<b>Total Primary Government</b>	<u><b>\$795,625</b></u>					<u><b>\$627,065</b></u>	<u><b>\$45,365</b></u>

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**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Outstanding Debt - Continued

**COMPONENT UNIT - HUNTSVILLE UTILITIES**

Business-Type Activities

*Electric System Revenue Warrants*

1998	\$15,505	12/1/1997	12/1/2019	4.4 - 5.0	0 - 2,100	\$890	\$890
2001	6,070	12/1/2001	12/1/2015	3.0 - 5.0	340 - 565	3,015	450
2002	9,920	12/1/2002	12/1/2022	1.35 - 5.0	260 - 1,030	5,135	275
2008	13,195	12/1/2007	12/1/2019	4.00	705 - 2,110	13,195	0
Subtotal	<u>44,690</u>					<u>22,235</u>	<u>1,615</u>

*Water System Revenue Warrants*

2009	43,660	5/1/2008	11/1/1934	2.7 - 5.0	700 - 2,885	42,960	2,055
Subtotal	<u>43,660</u>					<u>42,960</u>	<u>2,055</u>

*Gas System Revenue Warrants*

2005	11,025	8/1/2005	8/1/2025	3.25 - 4.38	380 - 780	9,415	440
Subtotal	<u>11,025</u>					<u>9,415</u>	<u>440</u>

**Total Component  
Units**

<u>\$99,375</u>	<u>\$74,610</u>	<u>\$4,110</u>
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Future Debt Service

The City's future debt service requirements on its outstanding warrants and bonds as of September 30, 2009 are shown below. There is \$3,412,682 and \$2,355,207 available in the Debt Service Fund and The Special Revenue Fund, respectively, to service general obligation debt and \$2,494,889 is available in the Public Building Authority Special Revenue Fund to service the lease revenue bonds.

**PRIMARY GOVERNMENT**

**(thousands)**

<u>Governmental activities:</u>	G.O. Warrants		Lease Rev. Bonds	
	Principal	Interest	Principal	Interest
2010	\$34,944	\$18,721	\$440	\$4,098
2011	29,896	17,259	455	4,080
2012	39,193	15,949	475	4,061
2013	26,569	14,016	1,820	4,015
2014	27,825	12,671	1,905	3,931
2015-2019	98,332	48,984	10,920	18,259
2020-2024	82,158	27,045	13,755	15,420
2025-2029	50,867	10,898	17,515	11,663
2030-2034	11,730	2,753	22,390	6,787
2035-2039	5,225	531	16,320	1,187
Total governmental activities	<u>406,739</u>	<u>168,827</u>	<u>85,995</u>	<u>73,501</u>

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Future Debt Service - Continued

<u>Business-type activities:</u>	G.O. Warrants		Revenue Warrants	
	Principal	Interest	Principal	Interest
2010	5,046	2,961	4,935	2,537
2011	5,294	2,722	5,120	2,363
2012	5,562	2,468	5,310	2,183
2013	5,841	2,196	5,505	1,996
2014	6,160	1,887	5,710	1,801
2015-2019	17,573	5,610	28,615	5,884
2020-2024	8,492	3,246	13,200	1,577
2025-2029	8,563	1,101	3,405	196
Total business-type activities	62,531	22,191	71,800	18,537

**Total Primary Government**

**\$627,065      \$283,056**

**COMPONENT UNITS**

<u>Business-Type Activities - Huntsville Utilities</u>	Electric Rev. Warrants		Water Rev. Warrants	
	Principal	Interest	Principal	Interest
2010	\$1,615	\$924	\$2,055	\$1,828
2011	1,455	840	2,120	1,760
2012	1,855	774	2,190	1,696
2013	1,930	697	2,260	1,633
2014	2,010	615	2,330	1,563
2015-2019	11,555	1,714	13,140	6,244
2020-2024	1,815	229	4,870	3,977
2025-2029	0	0	6,170	2,676
2030-2034	0	0	7,825	1,016
<b>Total</b>	<b><u>\$22,235</u></b>	<b><u>\$5,793</u></b>	<b><u>\$42,960</u></b>	<b><u>\$22,393</u></b>

<u>Business-Type Activities - Huntsville Utilities</u>	Gas Rev. Warrants	
	Principal	Interest
2010	\$440	\$377
2011	455	362
2012	470	346
2013	485	330
2014	505	313
2015-2019	2,825	1,251
2020-2024	3,455	626
2025-2029	780	34
<b>Total</b>	<b><u>\$9,415</u></b>	<b><u>\$3,639</u></b>

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**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2009, was as follows (in thousands):

<b>PRIMARY GOVERNMENT</b>	Beginning Balance	Additions(a)	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General obligation warrants	\$365,022	\$147,538	(\$105,821)	\$406,739	\$34,944
Lease revenue bonds	86,415	0	(420)	85,995	440
Subtotal	451,437	147,538	(106,241)	492,734	35,384
Less amounts deferred for:					
Issue discounts & premiums	9,998	9,663	(1,681)	17,980	0
Refunding losses	(9,777)	(2,051)	2,295	(9,533)	0
Total warrant, bonds, & notes	451,658	155,150	(105,627)	501,181	35,384
Capitalized leases	763	0	(529)	234	114
Compensated absences	17,560	1,140	(550)	18,150	1,815
Claims & judgments	3,600	2,002	(2,072)	3,530	3,530
<b>Governmental activities long-term liabilities</b>	<b>\$473,581</b>	<b>\$158,292</b>	<b>(\$108,778)</b>	<b>\$523,095</b>	<b>\$40,843</b>

The City's General Fund is generally responsible for liquidating the liability for compensated absences since most of the activities affecting that liability occur within General Fund departments.

<u>Business-Type Activities:</u>					
General obligation warrants	\$53,833	\$13,132	(\$4,434)	\$62,531	\$5,046
Sewer revenue warrants	76,560	0	(4,760)	71,800	4,935
Subtotal	130,393	13,132	(9,194)	134,331	9,981
Less amounts deferred for:					
Issue discounts & premiums	1,459	976	(203)	2,232	0
Refunding losses	(2,645)	0	369	(2,276)	0
Total warrants	129,207	14,108	(9,028)	134,287	9,981
Capitalized leases	4	0	(4)	0	0
Compensated absences	934	650	(825)	759	76
<b>Business-type activities long-term liabilities</b>	<b>\$130,145</b>	<b>\$14,758</b>	<b>(\$9,857)</b>	<b>\$135,046</b>	<b>\$10,057</b>

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Changes in Long-Term Liabilities - Continued

**COMPONENT UNITS - HUNTSVILLE UTILITIES**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Business-type activities - Electric System</u>					
Revenue warrants	\$23,780	\$0	(\$1,545)	\$22,235	\$1,615
Less amounts deferred for:				0	
Issue discounts & premiums	264	0	0	264	0
Refunding losses	(221)	0	36	(185)	0
Total Electric System long-term liabilities	<u>\$23,823</u>	<u>\$0</u>	<u>(\$1,509)</u>	<u>\$22,314</u>	<u>\$1,615</u>
<u>Business-type activities - Water System</u>					
Revenue warrants	\$43,660	\$0	(\$700)	\$42,960	\$2,055
Less amounts deferred for:					
Issue discounts & premiums	1,341	0	0	1,341	0
Refunding losses	(372)	0	61	(311)	0
Total Water System long-term liabilities	<u>\$44,629</u>	<u>\$0</u>	<u>(\$639)</u>	<u>\$43,990</u>	<u>\$2,055</u>
<u>Business-type activities – Gas System</u>					
Revenue warrants	\$9,840	\$0	(\$425)	\$9,415	\$440
Total Gas System long-term liabilities	<u>\$9,840</u>	<u>\$0</u>	<u>(\$425)</u>	<u>\$9,415</u>	<u>\$440</u>

Uses of Governmental Activities Long-Term Debt

The carrying value of outstanding debt for governmental activities as of September 30, 2009, is \$501,181,323. The purposes for which this amount has been or will be expended is as follows: (in thousands):

Debt issued for non-capital asset purposes:	
Huntsville City Schools	\$152,290
Von Braun Center	6,648
Intergovernmental	1,937
Debt issued for capital asset purposes:	
Invested in assets as of year-end	306,924
Not yet invested in assets as of year-end	<u>33,382</u>
Total	<u>\$501,181</u>

(Note the above amounts are not net of issuance costs as is similar data presented in the MD&A.)

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Debt Covenants and Continuing Disclosure

There are a number of disclosure requirements, limitations and restrictions contained in the various debt-related agreements, and the City is in compliance with all, except that the 2009 financial statements were not released by March 31, 2010.

Arbitrage Compliance

As an issuer of tax-exempt obligations, the City must comply with Section 148 of the Internal Revenue Code whereby arbitrage on tax-exempt warrants, if any, is rebated to the IRS. The City is in compliance with Section 148 requirements.

**F. Fund Equity Reserves and Designations**

All Funds

*Reserved for capital projects* - amounts restricted by law or contract for capital improvements.

*Reserved for debt service* - amounts restricted for making debt service payments.

*Reserved for notes receivable* – amounts related to the noncurrent portion of notes receivable.

*Reserved for other* – other amounts restricted by state or federal law for specific purposes.

*Designated for encumbrances* – amounts re-appropriated in the next fiscal for payment of encumbered goods and services.

General Fund

*Reserved for court capital* - funds restricted by state law for the purpose of municipal court equipment.

*Reserved for jail construction* - funds restricted by state law for the construction of jail facilities, or payment of debt service related thereto.

*Designated for cemetery improvements* – revenue designated by management for cemetery improvements.

*Designated for contingencies* – an amount set aside by city ordinance for unforeseen financial difficulties, which is 11.5% of the subsequent year's revenue budget.

*Designated for employee benefits* – amounts set aside to pay for unexpected health care or workers' compensation costs.

*Designated for jail capital repairs* – amounts set aside by management as a capital repair fund for the municipal jail facility, which is being operated as a joint city-county jail by the Madison County Sheriff.

*Designated for jail construction* – amounts set aside by management for the construction of the joint city-county jail.

*Designated for parking activities – prior years net revenues set aside for parking activities.*

*Designated for post-retirement benefits* – amounts set aside by management to pay for future post-retirement benefits.

*Designated for recreation projects* - cumulative, unspent City one percent lodging taxes earmarked by ordinance for recreation capital projects.

*Designated for tourism activities* – cumulative, unspent City liquor and lodging taxes earmarked by ordinance for tourism activities.

Other Governmental Funds

*Reserved for city schools* – property taxes collected by the City but restricted by state law for public school purposes.

*Reserved for donor restrictions* - funds which are spendable only in accordance with donor restrictions.

Discretely Presented Component Units

*Restricted for other* - funds restricted for self-insurance.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**G. Sales and Use Tax Revenue Earmarking**

City sales and use taxes, which are General Fund revenues, are earmarked by ordinance, as follows:

- 25.3 percent is paid to the Capital Improvement Capital Projects Fund.
- 12.5 percent is paid to the Huntsville City Board of Education.
- 2.2 percent of the prior year sales and use tax revenue is paid from the Capital Improvement Capital Projects Fund to the Huntsville City Board of Education for capital projects.

These do not represent restrictions on the fund balance of the City at September 30, 2009, but represent designations of future revenue which will be considered in determining budget appropriations for future years.

**H. Tax Equivalents**

The Utilities, component units of the City, are required to pay to the City a tax equivalent which is determined by applying the current property tax rates to the Utilities' net plant in service at the end of the preceding year. The amount of tax equivalents paid to the City by the Utilities during 2009 was \$10,595,126 by the Electric System, \$3,572,709 by the Natural Gas System, and \$1,357,845 by the Water System. These amounts are reported as payments in lieu of taxes in the General Fund of the City and as operating expenses in the financial statements of the Utilities.

**NOTE 5 – OTHER INFORMATION**

**A. Segment Information - Enterprise Funds**

The only enterprise fund for which the City is required to present segment information is the Water Pollution Control Enterprise Fund, the information for which is shown in the basic financial statements.

**B. Contingent Liabilities and Commitments**

Litigation

The City is a defendant in a number of claims and lawsuits. The outcome of these matters is uncertain as of the date of this report. The City Attorney estimates the total liability with respect to these claims and lawsuits that is not covered by insurance will not exceed \$600,000, \$350,000 of which is estimated to be currently payable and has been accrued as a liability in the City's General Fund at September 30, 2009. These amounts plus all other estimated claims and lawsuits are summarized as follows:

Description	Reported In:	
	General Fund Financial Statements	Government-Wide Statement of Net Assets
Filed claims and lawsuits, general	\$350,000	\$600,000
Estimated unfiled claims and lawsuits	0	150,000
Extraordinary claim in the amount of \$3,000,000, which pertains to events occurring before September 30, 2009, one-half of which was paid in fiscal year 2009 and one-half of which is payable in fiscal year 2010.	0	1,500,000
Extraordinary American With Disabilities Act claim in the amount of \$1,280,000, such estimate relating to the cost of modifications to City facilities in fiscal year 2010.	0	1,280,000
<b>Total</b>	<b>\$350,000</b>	<b>\$3,530,000</b>

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

The Utilities are parties to a number of legal actions arising in the ordinary course of the business. In management's opinion, the Utilities have adequate legal defenses and/or insurance coverage for each of these actions and does not believe that they will materially affect the Utilities' operations or financial position.

Grants

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other government units. As of September 30, 2009, significant amounts of grant expenditures have not been audited by the grantor agencies but the City believes that future disallowed expenditures related to the unaudited grant programs, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

Debt Obligations

As described in Note 4, the City has issued six series of sewer revenue warrants totaling \$105.8 million under the State Revolving Loan Fund program to upgrade its sewer treatment facilities and distribution systems. After deducting \$6.1 million of program participation costs and capitalized interest, the City may draw \$99.7 million for project costs. As of September 30, 2009, \$85.1 million has been drawn and \$14.6 million is available, which is shown as an asset in the statement of net assets.

Huntsville Utilities Gas Purchase Commitments

The Gas System has entered into purchase contracts with vendors to establish the purchase price for natural gas. The contracts allow the Gas System to lock in certain volumes of gas to be purchased and prices for that gas. Under the contract, the System has committed to purchase 790,750 MMBtus per year through December 2026 at index less fifty-six cents, and an additional 6,854,461 MMBtus from several vendors at fixed prices ranging from \$5.025-\$7.84 per 1,000 for the year ended September 30, 2010. Incremental purchases which have transpired on the spot market are not included.

Construction Contracts

The City entered into various construction contracts as of September 30, 2009. In the fund financial statements, the unfulfilled balance of these contracts that related to the General Fund, The Special Revenue Fund, the Public Building Authority Special Revenue Fund, Capital Project Funds, and nonmajor governmental funds are included in the "Designation for Encumbrances" as described more fully in Notes 1 and 4F. In the statement of net assets, restricted assets are reported for the fulfillment of these contracts.

Joint Jail Expansion Construction Costs

As described in NOTE 5H, the City, through the Public Building Authority constructed an expansion to the former city jail now operated as a city-county jail by the Madison County Sherriff. In 2006 significant architectural, engineering design, and structural problems were discovered in the construction of the expansion, which cost a significant amount to remedy. The remediation cost and cost to complete was \$50 million more than originally planned for the \$30 million project. The City issued the Public Building Authority Lease Revenue Bonds Series 2007 in 2007 to finance \$30 million of this additional cost, and has advanced an additional \$20 million from the General Fund as of March 31, 2010. The City has sued the architect, the structural engineer, the former general contractor, and a number of subcontractors to recover damages, hoping to recover a portion of the additional cost. The contractor has counter-sued the City for damages relating to its termination by the City. The outcome of the matter is uncertain as of the date of the independent auditors' report, and the fund financial statements and statement of activities do not include a liability with respect to this matter.

**C. Related Organizations**

The following organizations are legally separate entities which the City appoints a voting majority of the governing board but has no financial relationship or obligations to the entities and has no control or influence over the entities' operations.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 5 – OTHER INFORMATION – CONTINUED**

Huntsville Housing Authority

The Huntsville Housing Authority is a legally separate organization which is governed by a five member board appointed by the City Council. The City has no ability to influence the operations of the Authority nor has any financial relationship or obligations related to the Authority.

Solid Waste Disposal Authority

The Solid Waste Disposal Authority is a legally separate organization which is governed by a five member board appointed by the City. The City has no ability to influence the operations of the Authority nor has any financial obligations related to the Authority. The City is obligated to use the Authority for its waste disposal through a contract with the Authority. However, this is considered to be an exchange transaction between two entities and is not considered a manifestation of a financial benefit or burden relationship between the entities. Fees paid to the Authority by the City for the year ended September 30, 2009 were \$3.0 million. The City was also indebted to the Authority in the amount of \$247,000 for waste disposal fees as of September 30, 2009.

Health Care Authority

The Health Care Authority is a legally separate organization which manages a local public hospital. The Authority is governed by a five member board appointed by the City Council. The City has no ability to influence the operations of the Authority nor has any financial relationship or obligations related to the Authority.

**D. Jointly Governed Organizations**

The following organizations are separate legal entities which are jointly governed by the City and Madison County in which neither government appoints a voting majority of the Board. The organizations were created for the benefit of city and county residents and generally receive financial assistance from both governments.

Huntsville-Madison County Marina and Port Authority

The Marina and Port Authority is a separate legal entity governed by a five member board to operate the marina and port facilities on the Tennessee River. The City and Madison County each appoint two of the members with one member jointly appointed. The City is partially responsible for funding the deficits of the Authority but did not appropriate funds or provide financial assistance to the Authority during 2009.

Huntsville-Madison County Railroad Authority

The Railroad Authority is a separate legal entity governed by a five member board to operate rail service to certain industry concerns in Madison County. The City and Madison County each appoint two of the members with one member jointly appointed. The City is partially responsible for funding deficits of the Authority but does not provide the Authority an annual appropriation.

Huntsville-Madison County Airport Authority

The Airport Authority is a separate legal entity governed by a five member board to operate the Huntsville International Airport. The City and Madison County each appoint two of the members with one member jointly appointed. The City is not responsible for funding any deficits of the Authority and does not provide an annual appropriation to the Authority.

Madison County Communications District

The District is a separate legal entity governed by a seven member board to operate the Enhanced 911 Emergency Communication System for Huntsville and Madison County. The City and Madison County each appoint three of the members with one member jointly appointed. The City is not responsible for funding any deficits of the District and does not provide an annual appropriation to the District.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 5 – OTHER INFORMATION – CONTINUED**

**E. Pension Plans**

The City of Huntsville's and the Huntsville Utilities Systems (component units of the City) defined benefit pension plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City and Utilities are affiliated with the Employees' Retirement System of Alabama (the System), an agent multiple-employer pension plan administered by the Retirement System of Alabama. The Retirement System of Alabama assigns the authority to establish and amend the benefit provisions of the plans that participate in the System to the respective employer entities. For the City of Huntsville, that authority rests with the City Council and for the Utilities, that authority rests with the Huntsville Utilities Boards. The Retirement System of Alabama issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Retirement System of Alabama.

System members who are state correctional officers, certified full-time firefighters, and certified full-time law enforcement officers are required to contribute 6% of their annual covered salary. Other System members are required to contribute 5% of their annual covered salary. The City and the Utilities are required to contribute at actuarially determined rates. The rate as a percentage of annual covered payroll for the City is 12.04%, and rates for the Utilities are 17.71% for Electric, 11.16% for Natural Gas and 12.87% for Water. The contribution requirements of plan members (including the City and the Utilities) are established and may be amended by the Retirement System of Alabama.

For 2009, the City of Huntsville's and the Utilities' annual pension cost was equal to their required and actual contributions. The required contribution was determined as part of the September 30, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 4.61% to 7.75% per year, and (c) 0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.5%. The actuarial value of the System's assets was determined using market values of instruments at September 30, 2008 and using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period in the years prior to September 30, 2008. The System's unfunded actuarial accrued liability is amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2008 was twenty years for the City and twenty years for the Gas System, twenty years for the Water System and twenty years for the Electric System.

**Trend Information for the System (latest available)**

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
City of Huntsville	9/30/2008	\$10,048,062	100%
	9/30/2007	8,016,582	100%
	9/30/2006	7,640,203	100%
Huntsville Utilities: Electric	9/30/2008	1,474,244	100%
	9/30/2007	1,351,186	100%
	9/30/2006	1,059,692	100%
Natural Gas	9/30/2008	1,685,679	100%
	9/30/2007	1,511,970	100%
	9/30/2006	1,176,530	100%
Water	9/30/2008	521,569	100%
	9/30/2007	467,736	100%
	9/30/2006	339,593	100%

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 5 – OTHER INFORMATION – CONTINUED**

**Schedule of Funding Progress for the System (latest available)**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Huntsville	9/30/2008	\$299,292,524	\$419,677,964	\$120,385,440	71.3%	\$97,961,587	122.9%
	9/30/2007	294,510,818	393,748,388	99,237,570	74.8%	90,396,039	109.8%
	9/30/2006	279,258,727	363,680,168	84,421,441	76.8%	85,893,654	98.3%
<b>Huntsville Utilities:</b>							
Electric	9/30/2008	29,933,875	50,264,649	20,330,774	59.6%	10,087,229	201.5%
	9/30/2007	29,963,494	47,730,823	17,767,329	62.8%	9,572,827	185.6%
	9/30/2006	28,828,749	46,128,654	17,299,905	62.5%	9,238,666	187.3%
Natural Gas	9/30/2008	39,258,315	58,009,060	18,750,745	67.7%	17,196,989	109.0%
	9/30/2007	36,523,025	54,570,361	16,047,336	70.6%	15,942,981	100.7%
	9/30/2006	36,313,068	51,562,348	15,249,280	70.4%	14,631,348	104.2%
Water	9/30/2008	15,922,622	23,140,702	7,218,080	68.8%	5,460,826	132.2%
	9/30/2007	15,633,561	21,323,229	5,689,669	73.3%	5,033,225	113.0%
	9/30/2006	14,848,340	20,040,427	5,192,088	74.1%	4,709,711	110.2%

**F. Post-Retirement Medical Plans**

The City and Huntsville Utilities Systems (component units of the City) provide other post-retirement benefits (“OPEB”) to retired employees, primarily medical benefits. Assets are accumulated on an ongoing basis to pay the cost of future benefits, and the City and Utilities are accumulating these assets in restricted trusts established exclusively for this purpose, to which retiree and employer contributions are made and from which benefit payments are made.

Information contained in this note for the Utilities is what is available from their separately-issued financial statements.

Plan Description. The City OPEB plan was established in 1989 and provides benefits similar to those provided under the City’s medical plan for active employees, a self-insured plan under which retirees and active employees are combined. All employees retiring after February 1, 1997 and (1) who have completed 25 years of service in the retirement system of Alabama and are less than 65 years of age or (2) who have completed 10 years of service and are of the age 60-64 are eligible to participate. Coverage is provided for the retiree and dependents until the retiree is 65 years of age. The plan had 213 retiree participants at September 30, 2008. Under the Utilities’ OPEB plan, all employees meeting retirement eligibility requirements are eligible to participate. The plan had approximately 216 retiree participants at September 30, 2008.

Funding Policy. City retirees pay about sixty percent of the annually-established benefit premium rate (active employees pay fifteen percent), and Utilities retirees pay a plan-prescribed amount (figure not available from Utilities). The City and Utilities are required to contribute the remaining cost of benefits at a rate that is based on an actuarial valuation prepared in accordance with certain parameters. The City’s current rate is 3.37% of annual covered payroll (the Utilities rate is not available).

Annual OPEB Cost. For 2009, the City’s and Utilities annual benefit cost was equal to the required contribution, summarized as follows:

**Schedule of Annual OPEB Cost (latest available)**

	Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
City	9/30/2009	\$2,744,475	100%	0
	9/30/2008	1,934,578	100%	0
Huntsville Utilities	9/30/2009	2,783,398	100%	0
	9/30/2008	1,913,794	100%	0

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 5 – OTHER INFORMATION – CONTINUED**

Funded Status and Funding Progress. The funded status of the OPEB plans as of September 30, 2008, is shown in the schedule below, which also presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Schedule of Funding Progress for the Plan (latest available)**

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Proj. Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City	9/30/2008	\$734,578	\$38,149,694	\$37,415,116	1.9%	\$81,535,067	45.9%
	9/30/2006	0	27,573,117	27,573,117	0.0%	72,544,474	38.0%
Utilities	9/30/2008	0	25,774,602	25,774,602	n.a.	n.a.	n.a.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive OPEB plans (as understood by the employers and plan members) and include the types of benefits provided at the time of the valuations and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City's actuarial valuation as of September 30, 2008, was based on: (a) the projected unit credit method actuarial cost method, (b) a 4.5% investment rate of return, (c) an 11.0% medical cost trend rate graded to 5.0% over eight years, (d) a 60.0% participation rate by retirees and 55.0% participation rate by spouses of participating retirees, (e) retirement rates consistent with the City's pension plan actuarial valuation, and (f) a thirty-year amortization period of the actuarial liability as a level percentage of projected payroll on an open basis.

The Utilities' actuarial valuation as of September 30, 2008, was based on: (a) the projected unit credit method actuarial cost method, (b) a 7.0% investment rate of return, (c) a 10.0% medical cost trend rate graded to 5.0% over seven years, (d) retirement rates consistent with the Utilities' pension plan actuarial valuation, and (e) a thirty-year amortization period of the actuarial liability (other information is not available from the Utilities).

Financial Reporting. City plan assets are accounted for in the Post Retirement Benefits Trust Fiduciary Fund, for which a separate financial report is not published. Additionally, the City has designated \$9.6 million of the General Fund fund balance for plan-related benefits as of September 30, 2009.

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**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 5 – OTHER INFORMATION – CONTINUED**

**G. Risk Financing Programs**

The City has elected to retain risk related to the employees' health insurance, workers' compensation insurance and legal claims and judgments against the City. The City does maintain insurance coverage for health insurance claims in excess of \$200,000 per claim/medical event and for workers' compensation claims in excess of \$500,000 per occurrence. For legal claims and lawsuits, the State of Alabama prescribes maximum limits of liability for local government units. These limits are presently \$100,000 for bodily injury or death for one person in any single occurrence and \$300,000 for two or more persons in a single occurrence. The limit for property damage is \$100,000 per single occurrence. Anticipated insurance claims are estimated using historical data and actuarial studies. Anticipated legal claims are estimated by the City's legal counsel. All legal claims estimated to be currently payable during the fiscal year, although possibly reported to the City after September 30, 2009, have been accrued as a liability in the General Fund as of September 30, 2009. Insurance claims have been accrued as a liability in the General Fund. Insurance and legal expenditures are allocated within various departments of the General Fund and to other funds of the City based on payroll and other experience factors. No changes in insurance coverage occurred compared to the previous year nor has the City experienced any insurance settlements in excess of insurance coverage over the past three years.

Changes in the balances of claims liabilities (net of anticipated insurance coverages) for the fiscal year ended September 30, 2009 are as follows:

	<b>Employees' Health Care</b>		<b>Workers' Compensation</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Unpaid claims, beginning of year	\$650,000	\$590,000	\$2,043,947	\$2,043,947
Incurred claims	17,410,487	13,032,674	2,844,168	1,316,026
Less claim payments	<u>(16,960,487)</u>	<u>(12,972,674)</u>	<u>(2,195,370)</u>	<u>(1,316,026)</u>
Unpaid claims, end of year (a)	<u>\$1,100,000</u>	<u>\$650,000</u>	<u>\$2,692,745</u>	<u>\$2,043,947</u>
	<b>Legal Claims</b>		<b>Total</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Unpaid claims, beginning of year	\$3,600,000	\$600,000	\$6,293,947	\$3,233,947
Incurred claims	2,002,146	3,372,645	22,256,801	17,721,345
Less claim payments	<u>(2,072,146)</u>	<u>(372,645)</u>	<u>(21,228,003)</u>	<u>(14,661,345)</u>
Unpaid claims, end of year (a)	<u>\$3,530,000</u>	<u>\$3,600,000</u>	<u>\$7,322,745</u>	<u>\$6,293,947</u>

(a) Total unpaid claims are reported in the Statement of Net Assets.

The Electric, Water and Gas systems of the Utilities are also self-insured for general liability, health insurance and workers' compensation insurance. Reinsurance has been purchased to limit the exposure to catastrophic loss for health insurance and workers' compensation insurance claims.

**City of Huntsville**  
**Notes To The Financial Statements - Continued**  
**September 30, 2009**

**NOTE 5 – OTHER INFORMATION – CONTINUED**

**H. Jail Consolidation**

In July 2002, the City and Madison County Commission entered into an Intergovernmental Jail Agreement (Agreement) pursuant to which the parties agreed to combine and consolidate jail facilities for which the City and County are responsible for providing in the county. This Agreement was revised in 2010. In the Agreement, the City, acting through the Public Building Authority, agreed to remodel, enlarge, and expand the existing Municipal Justice And Public Safety Center, originally financed with proceeds of the 1996 Lease Revenue Bonds, in order to make it possible to house both City inmates and inmates traditionally housed in the Madison County jail in a single facility. The Public Building Authority issued Series 2002 Lease Revenue Bonds to finance the renovation and expansion. In the Agreement, the County agreed to provide necessary funding for the management and operation of the facility, as expanded, and, through the Sheriff, began to exclusively operate the jail beginning in February 2003. The facility has been completed and is known as the Huntsville-Madison County Jail.

The City, using funds previously appropriated in the General Fund for operation of the jail facility by the Police Department, will (1) pay the additional debt service due to issuance of the Series 2007 Lease Revenue Bonds, in the form of an increased annual lease payment (see Note 4E), (2) pay limited repair and replacement of facility capital components, for which a General Fund designated fund balance has been established, and (3) provide \$2.1 million annually to the County to assist in the funding of jail operations. The payments are shown in the General Fund statement of revenues, expenditures and changes in fund balance as a public safety special appropriation. See Note 5B for information about the jail expansion project.

The Public Building Authority will retain title to the facility until the Series 2007 Lease Revenue Bonds are paid, at which time the City will own the facility. The City will continue occupying and operating the portion of the facility used by the City for public safety administrative activities and municipal court.

**I. Contingent Asset Impairment – Joint Jail**

As described in NOTE 5H, the City constructed an expansion to the former city jail now operated as a city-county jail by the Madison County Sheriff. As described in NOTE 5B, significant construction problems were discovered in the construction of the expansion, which cost a significant amount to remedy. The cost to complete the facility increased significantly because of the problems. The original estimated cost of the expansion was \$30 million and the actual cost was approximately \$79.8 million. As also described in NOTE 5B, the City hopes to recover a portion of the additional cost through litigation.

The expanded portion of the jail asset is in service, but the construction problems may constitute a significant and unexpected decline in the utility of the asset, or an impairment under GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Some or all of the additional costs may constitute impairment costs, even after possibly litigation recovery, which will be required to be expensed in the government-wide statement of activities. The final determination of this issue cannot be determined as of March 31, 2010, but when determined, it may result in the recognition of a significant expense in future years.

**J. New Pronouncements**

The City plans to adopt GASB Statements No. 51, *Accounting and Financial Reporting for Intangible Assets* and No. 53, *Accounting and Financial Reporting for Derivative Instruments*, in fiscal 2010.

**K. Violations**

As described in Note 4E, the City is required by Continuing Disclosure Agreements it has executed pursuant to its various debt issues to provide audited financial statements and other information to the Electronic Municipal Market Access system within six months of its fiscal year-end. The City did not provide the 2009 audited financial statements by the required, and this violation was remedied on April 30, 2010.

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## SUPPLEMENTARY INFORMATION

**CITY OF HUNTSVILLE  
GENERAL FUND  
BALANCE SHEET  
September 30, 2009**

**ASSETS**

Cash & investments, at cost	\$66,900,921
Receivables (net of allowances)	13,525,171
Due from other funds	18,405,803
Due from other governmental entities	1,526,319
Inventories	75,547
Prepaid items	53,599
	<hr/>
	<b>\$100,487,360</b>
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**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$3,092,752
Accrued liabilities	9,312,358
Contract retainages	2,870,316
Due to other funds	36,892,717
Due to other governmental entities	231,878
Deferred revenue	3,060,800
Other	1,134,670
	<hr/>
<b>Total liabilities</b>	<b>56,595,491</b>
	<hr/>

**FUND BALANCE**

Reserved for court capital	247,480
Reserved for jail construction	0
Reserved for capital projects	2,021,177
Unreserved	
Designated for cemetery improvements	496,642
Designated for contingencies	21,657,050
Designated for employee benefits	250,000
Designated for encumbrances (re-appropriated)	1,517,112
Designated for jail capital repairs	750,000
Designated for jail construction	2,970,674
Designated for parking activities	280,630
Designated for post-retirement benefits	9,600,000
Designated for recreation projects	1,297,434
Designated for tourism activities	2,641,885
Designated for other	161,785
Unreserved and undesignated	0
	<hr/>
<b>Total fund balance</b>	<b>43,891,869</b>
	<hr/>

<b>Total liabilities and fund balance</b>	<b>\$100,487,360</b>
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**CITY OF HUNTSVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2009**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Taxes and payments in lieu of taxes	\$176,519,000	\$171,479,042	\$170,785,793	(\$693,249)
Licenses and permits	22,746,000	22,427,500	22,216,726	(210,774)
Fines and forfeitures	2,984,000	2,984,000	3,387,646	403,646
Revenues from money and property	3,544,000	1,188,200	1,256,337	68,137
Charges for services	13,139,332	13,139,332	13,352,783	213,451
Intergovernmental	3,022,769	6,964,775	4,610,104	(2,354,671)
Gifts and donations	70,000	7,929,628	153,355	(7,776,273)
Other revenues	1,670,000	1,716,954	1,639,863	(77,091)
<b>Total revenues</b>	<b>223,695,101</b>	<b>227,829,431</b>	<b>217,402,607</b>	<b>(10,426,824)</b>
<b>EXPENDITURES</b>				
Current				
General government	22,966,268	29,975,582	27,024,261	2,951,321
Public safety	70,066,636	72,689,468	73,113,077	(423,609)
Public services	51,208,984	54,064,215	53,359,216	704,999
Urban development	12,058,971	12,485,379	11,925,212	560,167
Debt service	1,066,933	10,976,933	10,974,866	2,067
Capital projects construction	20,000	12,253,090	163,424	12,089,666
Intergovernmental assistance	20,266,801	20,847,877	19,917,837	930,040
<b>Total expenditures</b>	<b>177,654,593</b>	<b>213,292,544</b>	<b>196,477,893</b>	<b>16,814,651</b>
<b>Excess of revenues over expenditures</b>	<b>46,040,508</b>	<b>14,536,887</b>	<b>20,924,714</b>	<b>6,387,827</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	0	8,955,000	8,955,000	0
Transfers in	0	4,000,000	0	(4,000,000)
Transfers out	(50,688,346)	(49,920,319)	(41,968,182)	7,952,137
<b>Total other financing sources (uses)</b>	<b>(50,688,346)</b>	<b>(36,965,319)</b>	<b>(33,013,182)</b>	<b>3,952,137</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(4,647,838)</b>	<b>(22,428,432)</b>	<b>(12,088,468)</b>	<b>10,339,964</b>
Fund balance, beginning	55,980,337	55,980,337	55,980,337	0
<b>Fund balance, ending</b>	<b>\$51,332,499</b>	<b>\$33,551,905</b>	<b>\$43,891,869</b>	<b>\$10,339,964</b>

**CITY OF HUNTSVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
For the Year Ended September 30, 2009**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and payments in lieu of taxes				
Sales and use	\$128,886,000	\$122,494,600	\$122,161,198	(\$333,402)
Ad valorem	13,287,000	13,287,000	13,200,659	(86,341)
Other	34,346,000	35,697,442	35,423,936	(273,506)
Total	176,519,000	171,479,042	170,785,793	(693,249)
Licenses and permits				
Privilege	18,424,000	18,424,000	18,638,975	214,975
Building permits	2,412,000	2,093,500	2,018,109	(75,391)
Other	1,910,000	1,910,000	1,559,642	(350,358)
Total	22,746,000	22,427,500	22,216,726	(210,774)
Fines and forfeitures	2,984,000	2,984,000	3,387,646	403,646
Revenues from money and property				
Interest	2,717,000	358,700	374,929	16,229
Recreational receipts	607,000	609,500	663,130	53,630
Other	220,000	220,000	218,278	(1,722)
Total	3,544,000	1,188,200	1,256,337	68,137
Charges for current services				
Sanitation charges	9,607,000	9,607,000	9,780,535	173,535
Parking revenue	2,229,000	2,229,000	2,192,301	(36,699)
Other	1,303,332	1,303,332	1,379,947	76,615
Total	13,139,332	13,139,332	13,352,783	213,451
Intergovernmental	3,022,769	6,964,775	4,610,104	(2,354,671)
Gifts and donations	70,000	7,929,628	153,355	(7,776,273)
Other revenues	1,670,000	1,716,954	1,639,863	(77,091)
<b>TOTAL REVENUES</b>	223,695,101	227,829,431	217,402,607	(10,426,824)

**CITY OF HUNTSVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
For the Year Ended September 30, 2009**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
<b><u>General Government</u></b>				
Administration				
Personnel	1,093,963	1,278,963	1,290,479	(11,516)
Operating	49,644	52,437	40,985	11,452
Capital	0	0	0	0
Total	1,143,607	1,331,400	1,331,464	(64)
City Council				
Personnel	488,055	488,055	502,571	(14,516)
Operating	50,117	49,505	31,354	18,151
Capital	0	0	0	0
Total	538,172	537,560	533,925	3,635
Clerk-Treasurer				
Personnel	1,138,271	1,138,271	1,094,238	44,033
Operating	109,450	217,295	186,130	31,165
Capital	0	0	0	0
Total	1,247,721	1,355,566	1,280,368	75,198
Finance				
Personnel	2,251,177	2,251,177	2,172,880	78,297
Operating	275,483	275,483	219,610	55,873
Capital	0	1,500,000	0	1,500,000
Total	2,526,660	4,026,660	2,392,490	1,634,170
Fleet Management				
Personnel	1,955,401	1,955,401	1,940,144	15,257
Operating	159,524	208,800	115,914	92,886
Capital	0	0	0	0
Total	2,114,925	2,164,201	2,056,058	108,143
General expenses				
Personnel	3,452,000	4,052,000	4,739,612	(687,612)
Operating	2,605,865	7,007,165	5,487,109	1,520,056
Capital	0	0	0	0
Total	6,057,865	11,059,165	10,226,721	832,444

**CITY OF HUNTSVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
For the Year Ended September 30, 2009**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Human Resources				
Personnel	771,022	771,022	755,640	15,382
Operating	395,496	395,385	330,358	65,027
Capital	0	0	0	0
<b>Total</b>	<b>1,166,518</b>	<b>1,166,407</b>	<b>1,085,998</b>	<b>80,409</b>
Information Technology Services				
Personnel	3,387,935	3,387,935	3,354,629	33,306
Operating	3,206,285	3,339,486	3,195,778	143,708
Capital	40,000	70,622	23,906	46,716
<b>Total</b>	<b>6,634,220</b>	<b>6,798,043</b>	<b>6,574,313</b>	<b>223,730</b>
Legal				
Personnel	1,467,180	1,467,180	1,488,607	(21,427)
Operating	69,400	69,400	54,317	15,083
Capital	0	0	0	0
<b>Total</b>	<b>1,536,580</b>	<b>1,536,580</b>	<b>1,542,924</b>	<b>(6,344)</b>
<b>Total general government</b>	<b>22,966,268</b>	<b>29,975,582</b>	<b>27,024,261</b>	<b>2,951,321</b>
 <b><u>Public Safety</u></b>				
Animal Services				
Personnel	1,357,787	1,357,787	1,355,095	2,692
Operating	203,335	183,110	168,586	14,524
Capital	0	3,500	0	3,500
<b>Total</b>	<b>1,561,122</b>	<b>1,544,397</b>	<b>1,523,681</b>	<b>20,716</b>
Emergency Management				
Personnel	560,939	659,939	591,537	68,402
Operating	60,414	1,449,943	779,985	669,958
Capital	0	1,176	0	1,176
<b>Total</b>	<b>621,353</b>	<b>2,111,058</b>	<b>1,371,522</b>	<b>739,536</b>
Fire and Rescue				
Personnel	24,956,516	24,523,516	25,583,904	(1,060,388)
Operating	2,059,090	2,272,435	2,057,894	214,541
Capital	0	162,190	147,235	14,955
<b>Total</b>	<b>27,015,606</b>	<b>26,958,141</b>	<b>27,789,033</b>	<b>(830,892)</b>

**CITY OF HUNTSVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
For the Year Ended September 30, 2009**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Municipal court				
Personnel	2,798,712	2,846,712	2,921,479	(74,767)
Operating	221,840	221,360	197,568	23,792
Capital	0	0	0	0
Total	3,020,552	3,068,072	3,119,047	(50,975)
Police				
Personnel	34,159,979	34,066,440	35,224,940	(1,158,500)
Operating	3,565,624	3,782,747	2,964,171	818,576
Capital	40,000	1,076,213	1,038,283	37,930
Total	37,765,603	38,925,400	39,227,394	(301,994)
Special appropriations	82,400	82,400	82,400	0
<b>Total public safety</b>	<b>70,066,636</b>	<b>72,689,468</b>	<b>73,113,077</b>	<b>(423,609)</b>
<b><u>Public Services</u></b>				
Cemetery				
Personnel	743,815	743,815	731,786	12,029
Operating	92,550	86,018	60,070	25,948
Capital	0	540,390	450,948	89,442
Total	836,365	1,370,223	1,242,804	127,419
General Services				
Personnel	3,259,447	3,386,447	3,495,854	(109,407)
Operating	4,735,834	4,846,977	4,859,810	(12,833)
Capital	0	400,347	188,092	212,255
Total	7,995,281	8,633,771	8,543,756	90,015
Landscape Management				
Personnel	6,017,389	6,550,389	6,811,207	(260,818)
Operating	2,285,427	2,199,574	2,008,184	191,390
Capital	0	36,475	36,475	0
Subtotal	8,302,816	8,786,438	8,855,866	(69,428)

**CITY OF HUNTSVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
For the Year Ended September 30, 2009**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Parking				
Personnel	1,309,233	1,309,233	1,330,378	(21,145)
Operating	401,988	386,155	337,482	48,673
Capital	0	155,592	73,564	82,028
<b>Total</b>	<b>1,711,221</b>	<b>1,850,980</b>	<b>1,741,424</b>	<b>109,556</b>
Public Transit				
Personnel	2,136,258	2,139,258	2,242,184	(102,926)
Operating	1,228,480	1,603,715	904,029	699,686
Capital	569,200	675,879	804,561	(128,682)
<b>Total</b>	<b>3,933,938</b>	<b>4,418,852</b>	<b>3,950,774</b>	<b>468,078</b>
Public Works				
Personnel	11,748,827	11,748,827	12,406,274	(657,447)
Operating	6,098,960	5,639,845	5,535,667	104,178
Capital	0	444,306	351,007	93,299
<b>Total</b>	<b>17,847,787</b>	<b>17,832,978</b>	<b>18,292,948</b>	<b>(459,970)</b>
Recreation Services				
Personnel	5,655,359	5,655,359	5,717,596	(62,237)
Operating	691,050	690,007	564,316	125,691
Capital	40,000	108,354	107,692	662
<b>Subtotal</b>	<b>6,386,409</b>	<b>6,453,720</b>	<b>6,389,604</b>	<b>64,116</b>
Special appropriations	4,195,167	4,717,253	4,342,040	375,213
<b><i>Total public services</i></b>	<b>51,208,984</b>	<b>54,064,215</b>	<b>53,359,216</b>	<b>704,999</b>
<b><u>Urban Development</u></b>				
Engineering				
Personnel	3,359,624	3,359,624	3,210,805	148,819
Operating	146,179	124,921	78,124	46,797
Capital	0	69,138	61,648	7,490
<b>Total</b>	<b>3,505,803</b>	<b>3,553,683</b>	<b>3,350,577</b>	<b>203,106</b>
Inspection				
Personnel	1,886,513	1,886,513	1,886,001	512
Operating	131,300	117,118	96,946	20,172
Capital	0	0	0	0
<b>Total</b>	<b>2,017,813</b>	<b>2,003,631</b>	<b>1,982,947</b>	<b>20,684</b>

**CITY OF HUNTSVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
For the Year Ended September 30, 2009**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Natural Resources				
Personnel	602,790	602,790	600,728	2,062
Operating	54,350	54,350	30,032	24,318
Capital	0	0	0	0
<b>Total</b>	<b>657,140</b>	<b>657,140</b>	<b>630,760</b>	<b>26,380</b>
Planning				
Personnel	2,660,382	2,660,382	2,601,417	58,965
Operating	332,657	399,453	235,926	163,527
Capital	0	0	0	0
<b>Total</b>	<b>2,993,039</b>	<b>3,059,835</b>	<b>2,837,343</b>	<b>222,492</b>
Traffic Engineering				
Personnel	1,925,643	1,925,643	1,903,424	22,219
Operating	500,533	476,212	410,928	65,284
Capital	0	350,235	350,233	2
<b>Total</b>	<b>2,426,176</b>	<b>2,752,090</b>	<b>2,664,585</b>	<b>87,505</b>
Special appropriations	459,000	459,000	459,000	0
<b>Total urban development</b>	<b>12,058,971</b>	<b>12,485,379</b>	<b>11,925,212</b>	<b>560,167</b>
<b>Debt Service</b>				
Principal	1,066,933	10,850,435	10,848,368	2,067
Interest	0	126,498	126,498	0
Debt issue costs	0	0	0	0
<b>Total</b>	<b>1,066,933</b>	<b>10,976,933</b>	<b>10,974,866</b>	<b>2,067</b>
<b>Capital Projects Construction</b>	<b>20,000</b>	<b>12,253,090</b>	<b>163,424</b>	<b>12,089,666</b>
<b>Intergovernmental Assistance</b>				
Huntsville Board of Education	16,143,750	16,445,191	16,116,239	328,952
Madison County Commission	2,602,051	2,717,167	2,205,398	511,769
City of Madison	0	60,352	25,200	35,152
Madison County Health Department	1,521,000	1,521,000	1,521,000	0
Other	0	104,167	50,000	54,167
<b>Total</b>	<b>20,266,801</b>	<b>20,847,877</b>	<b>19,917,837</b>	<b>930,040</b>
<b>TOTAL EXPENDITURES</b>	<b>177,654,593</b>	<b>213,292,544</b>	<b>196,477,893</b>	<b>16,814,651</b>

**CITY OF HUNTSVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
For the Year Ended September 30, 2009**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Excess of revenues over expenditures</b>	46,040,508	14,536,887	20,924,714	6,387,827
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	0	8,955,000	8,955,000	0
Transfers in	0	4,000,000	0	(4,000,000)
Transfers out	(50,688,346)	(49,920,319)	(41,968,182)	7,952,137
Total other financing sources (uses)	(50,688,346)	(36,965,319)	(33,013,182)	3,952,137
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	(4,647,838)	(22,428,432)	(12,088,468)	10,339,964
Fund balance, beginning	55,980,337	55,980,337	55,980,337	0
<b>Fund balance, ending</b>	<b>\$51,332,499</b>	<b>\$33,551,905</b>	<b>\$43,891,869</b>	<b>\$10,339,964</b>

**CITY OF HUNTSVILLE  
GENERAL FUND  
SCHEDULE OF SPECIAL APPROPRIATIONS - BUDGET AND ACTUAL  
For the Year Ended September 30, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Public Safety</b>				
Huntsville Community Watch Association	\$24,500	\$24,500	\$24,500	\$0
Huntsville/Madison County Rescue Squad, Inc.	4,900	4,900	4,900	0
Partnership for Drug Free Community	53,000	53,000	53,000	0
	<u>82,400</u>	<u>82,400</u>	<u>82,400</u>	<u>0</u>
<b>Public Services</b>				
Arts Council, Inc.	158,000	158,000	158,000	0
Boys & Girls Club, Inc.	50,000	50,000	50,000	0
Community Action Agency	100,000	100,000	100,000	0
Diverse Education Life Training, Inc.	0	212	212	
Heals, Inc.	25,000	25,000	25,000	0
Human Relations Commission	1,000	1,000	1,000	0
Huntsville Beautification Committee	5,000	5,000	5,000	0
Huntsville Child Care Center, Inc.	15,000	15,000	15,000	0
Huntsville Hospital	150,000	150,000	150,000	0
Huntsville Jaycees	2,500	2,500	2,500	0
Huntsville Sports Commission, Inc.	250,000	250,000	250,474	(474)
Huntsville Symphony Orchestra	45,000	45,000	45,000	0
Huntsville/Madison County Botanical Gardens, Inc.	243,000	268,687	243,000	25,687
Huntsville/Madison County Convention & Vis. Bureau	1,493,417	1,631,704	1,631,704	0
Huntsville/Madison County Senior Center, Inc.	390,000	390,000	390,000	0
Huntsville-Madison County Marina and Port Authority	0	350,000	0	350,000
Interfaith Mission Services, Inc.	50,000	57,500	57,500	0
International Services Council of Huntsville/Madison Co.	30,000	30,000	30,000	0
Legal Services of Alabama, Inc.	20,000	20,000	20,000	0
LIFT Housing, Inc.	12,750	12,750	12,750	0
Madison County Mental Retardation Board, Inc.	40,000	40,000	40,000	0
Meadow Hills Initiative, Inc.	4,500	4,500	4,500	0
Mental Health Board, Inc. (Mental Health Center)	870,000	870,000	870,000	0
North Alabama Science Center, Inc.	150,000	150,000	150,000	0
Northwest Huntsville Community Services Org., Inc.	30,000	30,000	30,000	0
Second Mile Development, Inc.	25,000	25,000	25,000	0
Tennessee Valley Jazz Society, Inc.	0	400	400	
United Cerebral Palsy of Huntsville/Madison County, Inc.	35,000	35,000	35,000	0
	<u>4,195,167</u>	<u>4,717,253</u>	<u>4,342,040</u>	<u>375,213</u>
<b>Urban Development</b>				
Business Tech. Development Center, Inc. ("BizTech")	100,000	100,000	100,000	0
Chamber of Commerce Development Account	15,000	15,000	15,000	0
Chamber of Commerce of Huntsville/Madison County	250,000	250,000	250,000	0
North Alabama African-American Chamber of Commerce	25,000	25,000	25,000	0
The Land Trust of Huntsville and North Alabama, Inc.	69,000	69,000	69,000	0
	<u>459,000</u>	<u>459,000</u>	<u>459,000</u>	<u>0</u>
	<u>\$4,736,567</u>	<u>\$5,258,653</u>	<u>\$4,883,440</u>	<u>\$375,213</u>

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## OTHER GOVERNMENTAL FUNDS

The City maintains these governmental funds that are considered nonmajor funds.

**Community Development Special Revenue Fund** - to account for the development of viable urban communities, including decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Financing is provided by federal community development grants under Title I of the Housing and Community Development Act of 1974, as amended. Such grants provide for payment of the City's Community Development program costs and may be used only for that purpose.

**Community Development Rehabilitation Loan Special Revenue Fund** - to account for the financing of the rehabilitation of privately owned properties as part of the City's Community Development program. Financing is provided by federal community development grants under Title I of the Housing and Community Development Act of 1974, as amended and grants under the HUD Home Program. Such grants provide for payment of the City's Community Development program costs and may be used only for that purpose.

**Public Library Special Revenue Fund** - to account for the operation of the public library. Most of its financing is received from the General Fund and other governmental entities.

**Burritt Museum Special Revenue Fund** - to account for the operations of a museum in the City. Financing is provided by the General Fund of the City.

**Alabama Constitution Village Special Revenue Fund** - to account for the operations of historical tourist attractions in the City. Financing for the construction of the facilities was provided by federal EDA grants and operating financing is provided by admission fees and the General Fund of the City.

**Art Museum Special Revenue Fund** - to account for the operation of the City of Huntsville Museum of Art. Financing is provided by the General Fund of the City and private sources.

**Huntsville Tennis Center Special Revenue Fund** - to account for the operations of a City-constructed tennis center in the City. Financing is provided by the General Fund of the City and user fees.

**Perpetual Care Permanent Fund** - to account for the collection of cemetery revenues earmarked by local ordinance for the perpetual care of the City-owned cemeteries. Fund balance in excess of \$1 million may be used for such purposes.

**Cummings Research Park Capital Projects Fund** - to account for land sales, purchases and development costs of a research park in the City.

**Industrial Park Capital Projects Fund** – to account for land sales, purchases and development costs of various industrial parks within the City.

**CITY OF HUNTSVILLE  
NONMAJOR GOVERNMENTAL FUNDS (by fund type)  
COMBINING BALANCE SHEET  
September 30, 2009**

	Special Revenue Funds						Permanent	Capital Projects Funds		Total Nonmajor Governmental Funds	
	Community Development	Community Development Rehabilitation	Public Library	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Perpetual Care	Cummings Research Park		Industrial Park
<b>ASSETS</b>											
Cash & investments, at cost	\$216,028	\$397,754	\$1,736,578	\$0	\$54,988	\$43,479	\$333,198	\$1,246,187	\$7,059,781	\$0	\$11,087,993
Receivables (net of allowances)											
Accounts	1,659,083	4,303,522	118,989	0	0	9,392	0	0	0	0	6,090,986
Accrued interest	307,456	0	0	0	0	0	0	0	0	0	307,456
Due from other funds	0	0	0	12,066	192	0	0	0	0	877,257	889,515
Due from governmental entities	0	0	0	0	0	55,260	0	0	0	0	55,260
Inventories	0	0	0	0	56,163	1,207	3,657	0	0	0	61,027
Prepaid items	3,715	0	7,165	0	0	218,419	12,321	0	0	0	241,620
<b>Total assets</b>	<b>\$2,186,282</b>	<b>\$4,701,276</b>	<b>\$1,862,732</b>	<b>\$12,066</b>	<b>\$111,343</b>	<b>\$327,757</b>	<b>\$349,176</b>	<b>\$1,246,187</b>	<b>\$7,059,781</b>	<b>\$877,257</b>	<b>\$18,733,857</b>
<b>LIABILITIES</b>											
Accounts payable	\$0	\$18,462	\$63,631	\$0	\$18,903	\$57,353	\$4,354	\$0	\$351,571	\$0	\$514,274
Accrued liabilities	0	0	387,260	0	42,187	56,132	0	0	0	0	485,579
Contract retainages	0	0	0	0	0	0	0	0	137,493	0	137,493
Due to other funds	281,491	0	0	0	0	0	1,071	0	0	0	282,562
Deferred revenue	0	0	6,763	0	0	177,291	0	0	0	0	184,054
Customer deposits	0	0	0	0	0	10,100	0	0	0	0	10,100
<b>Total liabilities</b>	<b>281,491</b>	<b>18,462</b>	<b>457,654</b>	<b>0</b>	<b>61,090</b>	<b>300,876</b>	<b>5,425</b>	<b>0</b>	<b>489,064</b>	<b>0</b>	<b>1,614,062</b>
<b>FUND BALANCES</b>											
Reserved for:											
Notes receivable	1,966,539	4,303,522	0	0	0	0	0	0	0	0	6,270,061
Donor restricted	0	0	332,853	0	0	0	0	0	0	0	332,853
Unreserved, designated for:											
Encumbrances	0	0	0	0	0	0	0	0	1,396,098	0	1,396,098
Unreserved & undesignated	(61,748)	379,292	1,072,225	12,066	50,253	26,881	343,751	1,246,187	5,174,619	877,257	9,120,783
<b>Total fund balance (deficit)</b>	<b>1,904,791</b>	<b>4,682,814</b>	<b>1,405,078</b>	<b>12,066</b>	<b>50,253</b>	<b>26,881</b>	<b>343,751</b>	<b>1,246,187</b>	<b>6,570,717</b>	<b>877,257</b>	<b>17,119,795</b>
<b>Total liabilities and fund balance</b>	<b>\$2,186,282</b>	<b>\$4,701,276</b>	<b>\$1,862,732</b>	<b>\$12,066</b>	<b>\$111,343</b>	<b>\$327,757</b>	<b>\$349,176</b>	<b>\$1,246,187</b>	<b>\$7,059,781</b>	<b>\$877,257</b>	<b>\$18,733,857</b>

**CITY OF HUNTSVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS (by fund type)**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2009**

	Special Revenue Funds							Permanent Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Community Development	Community Development Rehabilitation	Public Library	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Perpetual Care	Cummings Research Park	Industrial Park	
<b>REVENUE</b>											
Fines & forfeitures	\$0	\$0	\$386,386	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$386,386
Revenues from money & property	152,063	20,753	245,989	0	702,357	363,736	366,285	11,480	3,612,521	0	5,475,184
Intergovernmental	1,359,351	342,777	1,523,504	0	100,000	95,880	0	0	0	0	3,421,512
Gifts & donations	0	0	110,446	0	213,488	612,225	0	0	141,029	0	1,077,188
Other revenues	0	0	9,220	0	7,510	0	4,101	9,041	0	0	29,872
<b>Total revenues</b>	<b>1,511,414</b>	<b>363,530</b>	<b>2,275,545</b>	<b>0</b>	<b>1,023,355</b>	<b>1,071,841</b>	<b>370,386</b>	<b>20,521</b>	<b>3,753,550</b>	<b>0</b>	<b>10,390,142</b>
<b>EXPENDITURES</b>											
Current											
Public services	0	0	5,769,600	432,036	1,670,889	1,771,088	583,484	0	0	0	10,227,097
Urban development	3,104,917	835,484	0	0	0	0	0	0	7,189	0	3,947,590
Debt service											
Principal	0	0	50,171	0	0	0	0	0	0	0	50,171
Interest	0	0	10,864	0	0	0	0	0	0	0	10,864
Capital projects construction	0	0	0	0	0	0	0	0	3,428,470	0	3,428,470
<b>Total expenditures</b>	<b>3,104,917</b>	<b>835,484</b>	<b>5,830,635</b>	<b>432,036</b>	<b>1,670,889</b>	<b>1,771,088</b>	<b>583,484</b>	<b>0</b>	<b>3,435,659</b>	<b>0</b>	<b>17,664,192</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,593,503)</b>	<b>(471,954)</b>	<b>(3,555,090)</b>	<b>(432,036)</b>	<b>(647,534)</b>	<b>(699,247)</b>	<b>(213,098)</b>	<b>20,521</b>	<b>317,891</b>	<b>0</b>	<b>(7,274,050)</b>
<b>OTHER FINANCING SOURCES (USES)</b>											
Transfers in	1,792,119	150,000	3,930,000	445,000	664,999	640,000	211,055	0	0	0	7,833,173
Transfers (out)	0	(392,119)	0	0	0	0	0	0	0	0	(392,119)
Total other financing sources (uses)	1,792,119	(242,119)	3,930,000	445,000	664,999	640,000	211,055	0	0	0	7,441,054
<b>Net change in fund balance</b>	<b>198,616</b>	<b>(714,073)</b>	<b>374,910</b>	<b>12,964</b>	<b>17,465</b>	<b>(59,247)</b>	<b>(2,043)</b>	<b>20,521</b>	<b>317,891</b>	<b>0</b>	<b>167,004</b>
Fund balance (deficit), beginning	1,706,175	5,396,887	1,030,168	(898)	32,788	86,128	345,794	1,225,666	6,252,826	877,257	16,952,791
<b>Fund balance (deficit), ending</b>	<b>\$1,904,791</b>	<b>\$4,682,814</b>	<b>\$1,405,078</b>	<b>\$12,066</b>	<b>\$50,253</b>	<b>\$26,881</b>	<b>\$343,751</b>	<b>\$1,246,187</b>	<b>\$6,570,717</b>	<b>\$877,257</b>	<b>\$17,119,795</b>

**CITY OF HUNTSVILLE  
THE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
For the Year Ended September 30, 2009**

Fund Subaccount	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Property				
6.5 Mill Tax	\$13,287,000	\$13,287,000	\$13,199,840	(\$87,160)
6.5 Mill School Tax	15,708,000	15,708,000	15,649,375	(58,625)
TIF 2	885,000	885,000	934,942	49,942
TIF 3	8,281,879	8,281,879	8,281,879	0
TIF 3A	1,798,547	1,798,547	1,798,547	0
TIF 4	1,013,329	1,013,329	1,013,329	0
Total property tax	40,973,755	40,973,755	40,877,912	(95,843)
Other taxes				
Four/Five Cent State Gas Tax	1,250,000	1,250,000	1,218,464	(31,536)
Seven Cent State Gas Tax	1,944,000	1,944,000	1,895,505	(48,495)
Total other taxes	3,194,000	3,194,000	3,113,969	(80,031)
Total taxes	44,167,755	44,167,755	43,991,881	(175,874)
Fines and forfeitures				
Seizure	0	0	135,154	135,154
Total fines and forfeitures	0	0	135,154	135,154
Revenues from money and property				
Four/Five Cent State Gas Tax	0	0	13,884	13,884
Seven Cent State Gas Tax	0	0	12,473	12,473
6.5 Mill Tax	0	0	3,784	3,784
6.5 Mill School Tax	0	0	1,014	1,014
Seizure	0	0	270	270
TIF 2	0	0	1,454	1,454
TIF 3	0	0	148,402	148,402
TIF 3A	0	0	1,441	1,441
TIF 4	0	0	176,068	176,068
Total revenues from m&p	0	0	358,790	358,790
<b>Total revenues</b>	<b>44,167,755</b>	<b>44,167,755</b>	<b>44,485,825</b>	<b>318,070</b>

**CITY OF HUNTSVILLE  
THE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
For the Year Ended September 30, 2009**

Fund Subaccount	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
Operating				
Street lighting/resurfacing				
Four/Five Cent State Gas Tax	0	2,250,000	842,163	1,407,837
Seven Cent State Gas Tax	2,794,000	2,794,000	2,805,875	(11,875)
Special activities				
Seizure	0	0	40,434	(40,434)
Total Operating	2,794,000	5,044,000	3,688,472	1,355,528
Capital				
6.5 mill School Tax	1,956,810	5,147,670	4,690,860	456,810
TIF 4	0	13,693,014	1,616,063	12,076,951
Total capital	1,956,810	18,840,684	6,306,923	12,533,761
<b>Total expenditures</b>	<b>4,750,810</b>	<b>23,884,684</b>	<b>9,995,395</b>	<b>13,889,289</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>39,416,945</b>	<b>20,283,071</b>	<b>34,490,430</b>	<b>14,207,359</b>
<b>Other financing sources (uses)</b>				
Long-term debt issued				
TIF 4	0	2,000,000	0	(2,000,000)
Total long-term debt issued	0	2,000,000	0	(2,000,000)
Transfers in(out)				
Seven Cent State Gas Tax	850,000	1,382,788	1,382,788	0
Four/Five Cent State Gas Tax	(2,250,000)	(2,500,000)	(2,500,000)	0
6.5 Mill Tax	(13,287,000)	(17,696,788)	(17,695,998)	790
6.5 Mill School Tax	(9,263,885)	(10,295,550)	(10,295,550)	0
TIF 2	(1,150,380)	(1,150,380)	(1,150,380)	0
TIF 3	(2,845,655)	(17,782,053)	(17,433,522)	348,531
TIF 3A	(1,498,240)	(1,498,240)	(1,498,240)	0
TIF 4	(1,367,375)	(14,491,097)	(6,198,113)	8,292,984
Total transfers in(out)	(30,812,535)	(64,031,320)	(55,389,015)	8,642,305
Total other financing sources (uses)	(30,812,535)	(62,031,320)	(55,389,015)	6,642,305
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>8,604,410</b>	<b>(41,748,249)</b>	<b>(20,898,585)</b>	<b>20,849,664</b>
Fund balance, beginning	53,837,982	53,837,982	53,837,982	0
Prior period adjustment	0	0	0	0
<b>Fund balance, ending</b>	<b>\$62,442,392</b>	<b>\$12,089,733</b>	<b>\$32,939,397</b>	<b>\$20,849,664</b>

**CITY OF HUNTSVILLE  
OTHER GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
For the Year Ended September 30, 2009**

	<b>Capital Improvements Capital Projects Fund</b>			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenues from money and property	\$485,000	\$2,750,061	\$2,275,298	(\$474,763)
Intergovernmental	0	26,540,667	10,279,872	(16,260,795)
Gifts and donations	0	1,753,155	752,053	(1,001,102)
Other revenues	0	0	0	0
<b>Total revenues</b>	<b>485,000</b>	<b>31,043,883</b>	<b>13,307,223</b>	<b>(17,736,660)</b>
<b>EXPENDITURES</b>				
Capital	7,477,000	169,189,880	90,787,421	78,402,459
Debt service	0	0	0	0
<b>Total expenditures</b>	<b>7,477,000</b>	<b>169,189,880</b>	<b>90,787,421</b>	<b>78,402,459</b>
<b>Excess of revenues over expenditures</b>	<b>(6,992,000)</b>	<b>(138,145,997)</b>	<b>(77,480,198)</b>	<b>60,665,799</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	0	138,583,000	138,583,000	0
Premium on debt issue	0	9,662,919	9,662,919	0
Transfers in	32,608,158	38,897,370	31,830,995	(7,066,375)
Transfers out	(16,661,000)	(65,648,554)	(65,619,554)	29,000
Total other financing sources (uses)	15,947,158	121,494,735	114,457,360	(7,037,375)
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>8,955,158</b>	<b>(16,651,262)</b>	<b>36,977,162</b>	<b>53,628,424</b>
Fund balance, beginning	35,021,210	35,021,210	35,021,210	0
<b>Fund balance, ending</b>	<b>\$43,976,368</b>	<b>\$18,369,948</b>	<b>\$71,998,372</b>	<b>\$53,628,424</b>

**CITY OF HUNTSVILLE  
OTHER GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
For the Year Ended September 30, 2009**

<b>Cummings Research Park Capital Projects Fund</b>				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Revenues from money and property	\$0	\$0	\$3,612,521	\$3,612,521
Intergovernmental	0	1,200,000	0	(1,200,000)
Gifts and donations	0	141,029	141,029	0
<b>Total revenues</b>	<b>0</b>	<b>1,341,029</b>	<b>3,753,550</b>	<b>2,412,521</b>
<b>EXPENDITURES</b>				
Capital	0	7,428,596	3,435,659	3,992,937
<b>Total expenditures</b>	<b>0</b>	<b>7,428,596</b>	<b>3,435,659</b>	<b>3,992,937</b>
<b>Excess of revenues over expenditures</b>	<b>0</b>	<b>(6,087,567)</b>	<b>317,891</b>	<b>6,405,458</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>0</b>	<b>(6,087,567)</b>	<b>317,891</b>	<b>6,405,458</b>
Fund balance, beginning	6,252,826	6,252,826	6,252,826	0
<b>Fund balance, ending</b>	<b>\$6,252,826</b>	<b>\$165,259</b>	<b>\$6,570,717</b>	<b>\$6,405,458</b>

**CITY OF HUNTSVILLE  
OTHER GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
For the Year Ended September 30, 2009**

<b>Industrial Park Capital Projects Fund</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Revenues from money and property	\$0	\$0	\$0	\$0
Other revenue	0	0	0	0
<b>Total revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>EXPENDITURES</b>				
Capital	0	64,213	0	64,213
<b>Total expenditures</b>	<b>0</b>	<b>64,213</b>	<b>0</b>	<b>64,213</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>0</b>	<b>(64,213)</b>	<b>0</b>	<b>64,213</b>
Fund balance, beginning	877,257	877,257	877,257	0
<b>Fund balance, ending</b>	<b>\$877,257</b>	<b>\$813,044</b>	<b>\$877,257</b>	<b>\$64,213</b>

# **STATISTICAL SECTION**

## STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about the government's overall financial health.

Subsection	Page
<b>Financial Trends</b> - These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. Included are government-wide summaries of net assets and revenue and expenses, and fund balances of governmental funds and their revenue and expenditures. ....	102
<b>Revenue Capacity</b> - These schedules contain information to help the reader assess the government's most significant local revenue sources – sales and property taxes. Included are a 10-year tax revenue summary, property values and tax collections, and principal taxpayers. ....	107
<b>Debt Capacity</b> - These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. ....	112
<b>Demographic and Economic Information</b> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. ....	117
<b>Operating Information</b> - These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. ....	120

**CITY OF HUNTSVILLE  
NET ASSETS BY COMPONENT**

	2009	2008	2007	2006	2005	2004	2003	2002
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$696,161,767	\$677,876,604	\$676,752,598	\$662,489,220	\$681,056,759	\$697,943,619	\$666,048,980	\$686,192,636
Restricted	49,434,712	58,692,417	64,781,469	72,084,583	22,362,732	46,249,719	75,344,841	53,005,595
Unrestricted	(117,390,646)	(49,782,330)	(59,903,462)	(79,759,378)	(66,905,526)	(97,374,177)	(68,610,382)	(56,571,316)
<b>Total governmental activities net assets</b>	<b>\$628,205,833</b>	<b>\$686,786,691</b>	<b>\$681,630,605</b>	<b>\$654,814,425</b>	<b>\$636,513,965</b>	<b>\$646,819,161</b>	<b>\$672,783,439</b>	<b>\$682,626,915</b>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$137,061,929	\$133,673,199	\$132,100,127	\$130,856,625	\$122,249,521	\$115,045,127	\$130,955,516	\$124,611,461
Restricted	12,046,366	0	0	0	0	0	0	0
Unrestricted	22,147,903	28,086,038	20,183,620	10,807,675	10,103,791	10,563,493	22,057,010	22,366,088
<b>Total business-type activities net assets</b>	<b>\$171,256,198</b>	<b>\$161,759,237</b>	<b>\$152,283,747</b>	<b>\$141,664,300</b>	<b>\$132,353,312</b>	<b>\$125,608,620</b>	<b>\$153,012,526</b>	<b>\$146,977,549</b>
<b>Primary government</b>								
Invested in capital assets, net of related debt	\$833,223,696	\$811,549,803	\$808,852,725	\$793,345,845	\$803,306,280	\$812,988,746	\$797,004,496	\$810,804,097
Restricted	61,481,078	58,692,417	64,781,469	72,084,583	22,362,732	46,249,719	75,344,841	53,005,595
Unrestricted	(95,242,743)	(21,696,292)	(39,719,842)	(68,951,703)	(56,801,735)	(86,810,684)	(46,553,372)	(34,205,228)
<b>Total primary government net assets</b>	<b>\$799,462,031</b>	<b>\$848,545,928</b>	<b>\$833,914,352</b>	<b>\$796,478,725</b>	<b>\$768,867,277</b>	<b>\$772,427,781</b>	<b>\$825,795,965</b>	<b>\$829,604,464</b>

Source: Comprehensive annual financial reports beginning with the 2002 implementation of GASB Statement Number 34. Information prior to that year is not available.

**CITY OF HUNTSVILLE  
CHANGES IN NET ASSETS**

	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses</b>								
<b>Governmental activities:</b>								
General government	\$28,684,548	\$24,413,094	\$21,850,177	\$18,899,918	\$18,296,047	\$16,353,076	\$17,101,812	\$18,507,764
Public Safety	78,799,511	76,952,205	68,430,602	62,262,521	58,301,177	55,252,540	54,304,561	54,402,755
Public Services	163,161,869	99,059,863	92,368,138	89,603,382	67,240,627	64,075,292	45,485,290	43,747,815
Urban Development	18,492,051	24,467,222	24,078,509	18,320,523	15,550,825	14,928,629	16,465,386	11,873,802
Intergovernmental assistance (a)	0	0	0	0	32,746,511	71,688,039	22,651,520	15,552,058
Interest on long-term debt	21,534,346	22,416,453	22,140,985	20,238,610	20,141,437	19,722,229	19,465,809	16,407,825
Unallocated depreciation	26,279,694	26,015,619	25,728,773	26,276,581	27,796,700	27,544,758	27,243,756	27,131,104
<b>Total governmental activities expenses</b>	<b>336,952,019</b>	<b>273,324,456</b>	<b>254,597,184</b>	<b>235,601,535</b>	<b>240,073,324</b>	<b>269,564,563</b>	<b>202,718,134</b>	<b>187,623,123</b>
<b>Business-type activities:</b>								
Water pollution control	23,998,256	26,765,661	23,399,766	20,899,980	20,929,126	19,706,845	18,187,242	18,497,864
Civic Center	9,966,778	9,690,975	9,357,380	8,475,896	7,955,705	8,341,862	7,998,837	7,346,439
Ice Complex	1,047,050	1,107,937	1,182,323	1,034,614	953,920	866,690	853,854	958,748
Parking facilities	0	0	0	0	0	0	1,867,280	1,950,163
Sanitation	0	0	0	0	0	0	10,482,779	10,515,078
<b>Total business-type activities expenses</b>	<b>35,012,084</b>	<b>37,564,573</b>	<b>33,939,469</b>	<b>30,410,490</b>	<b>29,838,751</b>	<b>28,915,397</b>	<b>39,389,992</b>	<b>39,268,292</b>
<b>Total primary government expenses</b>	<b>371,964,103</b>	<b>310,889,029</b>	<b>288,536,653</b>	<b>266,012,025</b>	<b>269,912,075</b>	<b>298,479,960</b>	<b>242,108,126</b>	<b>226,891,415</b>
<b>Program Revenues</b>								
<b>Governmental activities:</b>								
<b>Charges for services:</b>								
General government	18,777,070	18,976,662	18,425,046	15,800,779	14,647,634	13,453,484	13,918,676	16,159,303
Public Safety	4,051,824	3,671,778	3,415,790	3,564,980	2,735,906	2,577,515	2,360,202	1,438,212
Public Services	16,758,939	16,610,479	15,757,762	15,216,215	14,833,147	14,507,087	2,671,710	3,047,440
Urban Development	3,688,251	4,381,380	5,991,224	4,507,747	3,760,184	3,052,063	2,114,038	2,493,627
Operating grants and contributions	5,534,331	6,041,500	7,634,443	8,555,901	6,826,703	14,342,720	7,707,848	6,984,729
Capital grants and contributions	9,276,557	8,916,135	11,735,527	8,112,379	12,397,682	4,229,022	4,955,168	6,629,334
<b>Total governmental activities program revenues</b>	<b>58,086,972</b>	<b>58,597,934</b>	<b>62,959,792</b>	<b>55,758,001</b>	<b>55,201,256</b>	<b>52,161,891</b>	<b>33,727,642</b>	<b>36,752,645</b>
<b>Business-type activities:</b>								
<b>Charges for services:</b>								
Water pollution control	32,905,736	33,149,416	33,370,745	30,434,720	23,909,535	19,891,376	19,546,462	20,281,455
Civic Center	7,146,456	7,085,111	6,685,865	5,330,606	5,246,093	5,893,145	5,827,648	5,419,455
Ice Complex	917,173	967,984	927,874	922,102	832,920	733,534	726,060	822,237
Parking facilities	0	0	0	0	0	0	1,996,919	1,784,238
Sanitation	0	0	0	0	0	0	9,191,450	9,224,233
Operating grants and contributions	0	0	0	0	0	0	0	0
Capital grants and contributions	0	2,361,822	0	41,822	1,108,069	219,561	429,877	0
<b>Total business-type activities program revenues</b>	<b>40,969,365</b>	<b>43,564,333</b>	<b>40,984,484</b>	<b>36,729,250</b>	<b>31,096,617</b>	<b>26,737,616</b>	<b>37,718,416</b>	<b>37,531,618</b>
<b>Total primary government program revenues</b>	<b>99,056,337</b>	<b>102,162,267</b>	<b>103,944,276</b>	<b>92,487,251</b>	<b>86,297,873</b>	<b>78,899,507</b>	<b>71,446,058</b>	<b>74,284,263</b>
<b>Net(expense)revenue</b>								
<b>Governmental activities</b>	<b>(278,865,047)</b>	<b>(214,726,522)</b>	<b>(191,637,392)</b>	<b>(179,843,534)</b>	<b>(184,872,068)</b>	<b>(217,402,672)</b>	<b>(168,990,492)</b>	<b>(150,870,478)</b>
<b>Business-type activities</b>	<b>5,957,281</b>	<b>5,999,760</b>	<b>7,045,015</b>	<b>6,318,760</b>	<b>1,257,866</b>	<b>(2,177,781)</b>	<b>(1,671,576)</b>	<b>(1,736,674)</b>
<b>Total primary government net expenses</b>	<b>(272,907,766)</b>	<b>(208,726,762)</b>	<b>(184,592,377)</b>	<b>(173,524,774)</b>	<b>(183,614,202)</b>	<b>(219,580,453)</b>	<b>(170,662,068)</b>	<b>(152,607,152)</b>

**CITY OF HUNTSVILLE  
CHANGES IN NET ASSETS**

	2009	2008	2007	2006	2005	2004	2003	2002
General Revenues and Other Changes in Net Assets:								
Governmental activities:								
Taxes								
Sales & use taxes	122,161,198	127,565,012	125,723,726	114,580,803	104,962,909	98,302,584	93,387,783	88,382,423
Property taxes	54,078,571	50,210,471	43,153,397	40,235,507	33,176,517	31,377,131	30,806,109	27,863,125
Other taxes	38,537,905	37,537,970	37,319,663	35,719,573	32,148,984	30,978,585	28,491,869	25,424,489
Interest on Investments	1,116,673	6,150,108	7,979,874	6,253,502	2,867,311	2,324,757	2,588,241	2,084,616
Other	3,899,387	2,724,336	5,479,430	1,429,408	1,949,043	3,037,534	2,727,816	2,355,948
Gains on sales of assets	3,897,397	1,010,961	2,295,338	5,341,938	5,893,780	0	0	0
Capital contributions	0	0	0	0	0	0	0	0
Transfers	(3,406,942)	(5,316,250)	(3,026,808)	(2,753,377)	(4,511,031)	25,417,803	(7,687,338)	(3,866,057)
Total governmental activities	220,284,189	219,882,608	218,924,620	200,807,354	176,487,513	191,438,394	150,314,480	142,244,544
Business-type activities								
Interest on Investments	102,738	404,992	547,624	238,851	186,824	191,678	226,828	447,437
Special Item	30,000	0	0	0	0	0	0	(500,000)
Transfers	3,406,942	3,070,738	3,026,808	2,753,377	4,511,031	(25,417,803)	7,687,338	3,866,057
Total business-type activities	3,539,680	3,475,730	3,574,432	2,992,228	4,697,855	(25,226,125)	7,914,166	3,813,494
Total primary government	223,823,869	223,358,338	222,499,052	203,799,582	181,185,368	166,212,269	158,228,646	146,058,038
<u>Change in Net Assets</u>								
Governmental activities	(58,580,858)	5,156,086	27,287,228	20,963,820	(8,384,555)	(25,964,278)	(18,676,012)	(8,625,934)
Business-type activities	9,496,961	9,475,490	10,619,447	9,310,988	5,955,721	(27,403,906)	6,242,590	2,076,820
Total primary government	<u>(\$49,083,897)</u>	<u>\$14,631,576</u>	<u>\$37,906,675</u>	<u>\$30,274,808</u>	<u>(\$2,428,834)</u>	<u>(\$53,368,184)</u>	<u>(\$12,433,422)</u>	<u>(\$6,549,114)</u>

(a) Intergovernmental assistance is primarily provided to the Huntsville Board of Education, either direct payments or in the construction of school facilities that are assets of the Board. Financing for such assistance is provided by recurring property taxes or tax increment financing districts property taxes. This expense is included in other function expenses beginning in 2006.

Source: Comprehensive annual financial reports. Information prior to that year is not available.

**CITY OF HUNTSVILLE  
FUND BALANCES OF GOVERNMENTAL FUNDS**

	2009	2008	2007	2006	2005	2004	2003	2002
General Fund								
Reserved	\$2,268,657	\$2,535,938	\$10,642,444	\$209,272	\$205,376	\$3,350,926	\$1,392,762	\$543,314
Unreserved	41,623,212	53,444,399	59,095,252	48,597,754	39,941,975	41,171,848	28,173,860	21,658,323
Total general fund	43,891,869	55,980,337	69,737,696	48,807,026	40,147,351	44,522,774	29,566,622	22,201,637
All other governmental funds								
Reserved	76,818,638	63,566,881	54,246,282	9,453,684	11,575,447	83,586,896	116,109,016	18,073,396
Unreserved, reported in:								
Debt Service fund	3,412,682	3,232,744	3,350,116	3,234,567	21,760	0	0	0
Special revenue funds	(1,644,735)	1,351,011	31,720,227	26,197,393	17,376,072	(1,143,570)	5,181,278	25,144,148
Permanent funds	1,246,187	1,225,666	1,177,400	1,098,569	1,038,227	0	0	0
Capital project funds	28,143,542	38,361,839	57,887,452	67,383,192	24,489,475	1,785,107	1,956,057	54,132,661
Total all other governmental funds	107,976,314	107,738,141	148,381,477	107,367,405	54,500,981	84,228,433	123,246,351	97,350,205
Total fund balance	\$151,868,183	\$163,718,478	\$218,119,173	\$156,174,431	\$94,648,332	\$128,751,207	\$152,812,973	\$119,551,842

Source: Comprehensive annual financial reports, beginning in 2002 with the implementation of GASB Statement Number 34. The City's governmental and business-type fund structures were modified at that time such that meaningful comparison of the above data to years prior to 2002 cannot be made.

**CITY OF HUNTSVILLE  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues</b>								
Sales and Use Tax	\$122,161,198	\$127,565,012	\$125,723,726	\$114,580,803	\$104,962,909	\$98,302,584	\$93,387,783	\$88,382,423
Property Tax	54,078,571	50,210,471	43,153,397	40,235,507	33,176,517	31,377,131	30,806,109	27,863,125
Other taxes	38,537,905	37,537,970	37,319,663	35,633,301	32,070,521	30,978,585	28,491,867	25,424,489
Licenses and permits	22,216,726	23,054,259	24,131,627	20,192,700	18,321,231	16,326,852	15,800,046	17,221,695
Fines and forfeitures	3,909,186	3,535,338	3,333,458	3,416,351	2,670,807	2,500,346	2,390,167	2,530,391
Revenues from money and property	9,375,326	9,866,155	14,137,444	16,507,127	14,706,142	6,462,447	4,496,752	6,128,981
Charges for services	13,352,783	13,265,357	12,772,475	12,256,065	12,094,099	12,047,330	745,402	528,064
Intergovernmental	18,311,488	14,838,735	20,075,214	12,145,124	18,860,466	18,047,858	12,663,017	13,614,063
Gifts and donations	1,982,596	2,147,148	1,783,533	1,414,325	1,539,417	1,206,645	1,213,360	845,363
Other revenues	1,669,735	2,948,574	1,862,393	2,073,152	1,689,342	1,629,714	1,881,488	1,839,866
<b>Total Revenues</b>	<b>285,595,514</b>	<b>284,969,019</b>	<b>284,292,930</b>	<b>258,454,455</b>	<b>240,091,451</b>	<b>218,879,492</b>	<b>191,875,991</b>	<b>184,378,460</b>
<b>Expenditures</b>								
General government	27,076,571	19,954,377	20,526,138	18,457,838	17,763,621	15,001,333	15,552,371	19,469,290
Public safety	73,422,216	74,106,520	68,560,726	60,234,292	58,427,522	53,779,686	53,128,903	54,324,832
Public services	71,145,870	73,786,496	75,449,975	66,626,701	69,248,718	63,157,605	42,786,748	40,277,609
Urban development	16,663,058	17,334,448	20,923,861	16,929,088	15,302,050	14,746,580	16,228,288	12,313,263
Debt service								
Principal	107,287,240	28,125,603	27,712,653	25,445,585	108,221,154	23,544,762	22,143,691	42,191,266
Interest	23,859,727	20,713,975	20,788,626	20,288,933	19,682,483	19,419,478	17,520,686	15,290,177
Fiscal charges	11,449	53,471	52,789	73,236	69,980	93,033	113,392	33,601
Debt issuance costs	1,116,280	0	1,935,175	778,962	1,052,682	672,156	1,465,533	1,180,146
Capital projects construction and outlay	39,807,540	61,960,481	31,786,986	31,152,674	44,012,462	40,446,029	28,013,828	11,396,864
Intergovernmental assistance	90,864,329	30,688,444	26,564,854	22,857,303	32,746,511	71,688,039	22,651,520	15,552,058
<b>Total expenditures</b>	<b>451,254,280</b>	<b>326,723,815</b>	<b>294,301,783</b>	<b>262,844,612</b>	<b>366,527,183</b>	<b>302,548,701</b>	<b>219,604,960</b>	<b>212,029,106</b>
Excess of revenues over (under) expenditures	(165,658,766)	(41,754,796)	(10,008,853)	(4,390,157)	(126,435,732)	(83,669,209)	(27,728,969)	(27,650,646)
<b>Other financing sources(uses)</b>								
Long-term debt issued	147,538,000	0	129,135,000	68,070,000	83,610,000	53,955,000	80,055,001	120,510,001
Premium on debt issue	9,662,918	0	2,491,409	3,030,036	4,724,090	328,461	1,507,564	1,734,137
Discount on debt issue	0	0	0	0	0	0	0	(210,773)
Payment to escrow agent	0	0	(56,168,927)	0	0	0	(28,982,248)	(42,617,923)
Capital lease proceeds	0	0	0	232,957	2,250,427	0	0	289,184
Transfers in	160,826,423	86,590,155	87,250,263	92,454,496	78,138,533	88,265,810	70,765,968	58,017,997
Transfers (out)	(164,218,870)	(99,236,054)	(90,283,102)	(95,207,873)	(82,601,692)	(82,941,828)	(72,742,094)	(62,762,015)
<b>Total other financing sources(uses)</b>	<b>153,808,471</b>	<b>(12,645,899)</b>	<b>72,424,643</b>	<b>68,579,616</b>	<b>86,121,358</b>	<b>59,607,443</b>	<b>50,604,191</b>	<b>74,960,608</b>
<b>Net change in fund balances</b>	<b>(\$11,850,295)</b>	<b>(\$54,400,695)</b>	<b>\$62,415,790</b>	<b>\$64,189,459</b>	<b>(\$40,314,374)</b>	<b>(\$24,061,766)</b>	<b>\$22,875,222</b>	<b>\$47,309,962</b>
Debt service as a percentage of noncapital expenditures (a)	20.3%	19.0%	20.5%	20.6%	20.0%	17.1%	21.8%	24.2%

Source: Comprehensive annual financial reports, beginning in 2002 with the implementation of GASB Statement Number 34. The City's governmental and business-type fund structures were modified at that time such that meaningful comparison of the above data to years prior to 2002 cannot be made.

(a) For purposes of this calculation, the amounts exclude the debt service related to current refunding transactions

**CITY OF HUNTSVILLE  
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**

Fiscal Year	Sales and Use Tax	Property Tax	City Leasing	City Liquor	City Lodging	City Gasoline	City Wine	City Tobacco (a)	State Gasoline	Huntsville Utilities P.I.L.O.T.	T.V.A. P.I.L.O.T.	County Beverage	County Tobacco	All Other	Total
2000	\$82,317,639	\$24,796,012	\$2,544,352	\$1,031,363	\$2,756,392	\$865,711	\$94,170	\$0	\$3,182,451	\$8,527,737	\$2,061,226	\$0	\$287,694	\$560,199	\$129,024,946
2001	\$85,270,121	\$25,175,081	\$2,813,434	\$1,097,085	\$2,856,765	\$850,278	\$124,747	\$0	\$3,168,079	\$9,879,066	\$2,051,325	\$0	\$316,384	\$808,223	\$134,410,588
2002	\$88,382,423	\$27,863,125	\$2,844,875	\$1,111,901	\$2,973,312	\$902,273	\$108,768	\$0	\$2,944,349	\$11,095,643	\$2,149,699	\$0	\$306,110	\$969,559	\$141,652,037
2003	\$93,387,783	\$30,806,109	\$2,887,527	\$1,198,383	\$3,201,528	\$968,959	\$135,970	\$0	\$3,052,290	\$11,866,656	\$2,157,260	\$1,631,994	\$320,232	\$1,071,068	\$152,685,759
2004	\$98,302,584	\$31,377,131	\$2,618,337	\$1,242,385	\$3,835,426	\$1,051,231	\$126,795	\$1,280,095	\$3,151,825	\$11,949,977	\$2,219,186	\$1,622,948	\$310,045	\$1,570,335	\$160,658,300
2005	\$104,962,909	\$33,176,517	\$2,769,099	\$1,492,209	\$4,005,912	\$1,038,002	\$138,177	\$1,291,129	\$3,233,160	\$12,452,961	\$2,377,323	\$1,656,314	\$284,836	\$1,331,399	\$170,209,947
2006	\$114,580,803	\$40,235,507	\$2,786,309	\$1,722,226	\$4,445,996	\$1,006,452	\$138,289	\$1,378,086	\$3,170,148	\$14,036,975	\$2,569,143	\$1,663,442	\$302,046	\$2,500,461	\$190,535,883
2007	\$125,723,726	\$43,153,397	\$2,970,016	\$1,831,422	\$5,351,353	\$1,067,227	\$160,878	\$1,387,160	\$3,202,542	\$14,266,958	\$3,070,588	\$1,754,201	\$317,580	\$1,939,738	\$206,196,786
2008	\$127,565,012	\$50,210,471	\$2,945,100	\$2,077,439	\$5,924,004	\$1,072,348	\$166,983	\$1,354,237	\$3,109,810	\$14,648,826	\$3,080,532	\$1,788,958	\$306,172	\$1,063,561	\$215,313,453
2009	\$122,161,198	\$54,078,571	\$2,724,440	\$2,238,761	\$5,691,836	\$1,059,697	\$158,869	\$1,345,472	\$3,113,969	\$15,544,289	\$3,061,800	\$1,763,041	\$298,603	\$1,537,129	\$214,777,675

Source: Comprehensive annual financial reports

**CITY OF HUNTSVILLE  
SALES & PROPERTY TAX RATES**

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**SALES TAX**

Fiscal Year	City	County	State	Total
2000	3.5%	0.5%	4.0%	8.0%
2001	3.5%	0.5%	4.0%	8.0%
2002	3.5%	0.5%	4.0%	8.0%
2003	3.5%	0.5%	4.0%	8.0%
2004	3.5%	0.5%	4.0%	8.0%
2005	3.5%	0.5%	4.0%	8.0%
2006	3.5%	0.5%	4.0%	8.0%
2007	3.5%	0.5%	4.0%	8.0%
2008	3.5%	0.5%	4.0%	8.0%
2009	3.5%	0.5%	4.0%	8.0%

Note: Above data is the tax rate inside the City limits within Madison County.

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**PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS**  
(Per \$1000 of Assessed Value)

Fiscal Year	City of Huntsville				County School District	County	State	Total
	General Fund	School Funds	Debt Service Funds	Total				
2000	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2001	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2002	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2003	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2004	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2005	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2006	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2007	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2008	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2009	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0

Note: Does not include Limestone County property located within the City limits as it is currently not a significant value.

**CITY OF HUNTSVILLE  
PROPERTY TAX LEVIES AND COLLECTIONS**

	Total Tax Levy	Total Tax Collections (a)	Percent of Total Tax Collections to Tax Levy
1999-2000	\$88,226,963	\$85,987,415	97.5
2000-2001	\$88,837,214	\$87,180,748	98.1
2001-2002	\$101,948,211	\$100,116,987	98.2
2002-2003	\$108,616,346	\$105,608,839	97.2
2003-2004	\$111,343,012	\$109,784,532	98.6
2004-2005	\$118,723,634	\$116,636,738	98.2
2005-2006	\$140,488,139	\$138,268,426	98.4
2006-2007	\$149,465,737	\$148,620,312	99.4
2007-2008	\$169,107,052	\$167,754,196	99.2
2008-2009(b)	\$179,688,391	\$180,904,699	100.1

(a) Taxes are levied on October 1 and are payable by December 31, at which time they become delinquent and result in a tax sale to enforce collection. The Tax Collector does not provide the years during which the taxes are levied, but because of the collection policy, most are collected within the year of the levy.

(b) Tax collections exceed the tax levy because of 1.8 million in bankruptcy collections.

Source: Madison County Tax Collectors office, for entire Madison County collections. Does not include Limestone County property located within the City limits as it is currently not a significant value.

**CITY OF HUNTSVILLE  
PROPERTY TAXES  
ESTIMATED ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (thousands)**

Assessment Date	Real and Personal Property										Total Assessed	Total Actual	Assessed Value To Total Estimated Actual Value
	Class 1		Class 2		Class 3		Penalties Assessed	Exempt Assessed	Class 4				
	Assessed	Actual	Assessed	Actual	Assessed	Actual			Assessed	Actual			
October 1, 1999	*	*	*	*	*	*	*	*	*	*	\$1,317,600	\$10,347,054	12.7%
2000	*	*	*	*	*	*	*	*	*	*	\$1,501,376	\$11,783,980	12.7%
2001	*	*	*	*	*	*	*	*	*	*	\$1,575,634	\$12,382,083	12.7%
2002	*	*	*	*	*	*	*	*	*	*	\$1,585,907	\$12,658,676	12.5%
2003	\$37,329	\$124,430	\$1,373,005	\$6,865,025	\$473,714	\$4,737,140	\$2,642	(\$490,058)	\$195,622	\$1,304,147	\$1,592,254	\$13,030,742	12.2%
2004	\$35,712	\$119,040	\$1,606,282	\$8,031,410	\$591,458	\$5,914,580	\$2,842	(\$537,974)	\$194,488	\$1,296,587	\$1,892,808	\$15,361,617	12.3%
2005	\$33,832	\$112,774	\$1,628,923	\$8,144,616	\$631,620	\$6,316,200	\$4,184	(\$526,903)	\$204,144	\$1,360,960	\$1,975,800	\$15,934,550	12.4%
2006	\$33,146	\$110,488	\$1,814,243	\$9,071,215	\$697,207	\$6,972,072	\$5,601	(\$557,311)	\$214,374	\$1,426,160	\$2,207,260	\$17,579,935	12.6%
2007	\$33,626	\$112,086	\$1,921,701	\$9,608,503	\$744,423	\$7,444,226	\$6,751	(\$591,001)	\$221,997	\$1,479,980	\$2,337,496	\$18,644,795	12.5%
2008	\$33,417	\$111,391	\$1,980,302	\$9,901,509	\$786,525	\$7,865,245	\$5,106	(\$562,663)	\$227,114	\$1,514,093	\$2,469,801	\$19,392,238	12.7%

**Assessment Date Note:**

Property is initially assessed on October 1 each year for the taxes to be levied on the following October 1. Adjustments are made after the assessment until the next August, when the assessments are finalized for the upcoming October levy. Therefore, the assessed value figures above will result in tax collections beginning one year later. For example, the assessment in 2004 above will be levied on October 1, 2005, and collected during the city's 2006 fiscal year.

**Valuation Note:**

The above figures are those reported by the Madison County Tax Assessor on the abstract for the city district tax, which is the basis for collection of the 6.5 mill general fund and 6.5 mill special revenue fund tax. Property located within the City limits in Limestone County is not included as this is currently not a significant value.

**Class and Assessment % Note**

- Class 1 - All property of utilities used in their business - 30%
- Class 2 - All property not otherwise classified - 20%
- Class 3 - All agricultural, forest and single family, owner-occupied residential property, and historic property - 10%
- Class 4 - Private passenger automobiles and pickup trucks - 15%

**CITY OF HUNTSVILLE  
PRINCIPAL TAXPAYERS - SALES & PROPERTY TAXES**

<b>SALES &amp; USE TAXES</b>	Top 100 Taxpayers (approximate)	Total Tax	% of Total Tax
2006	\$61,600,652	\$114,580,803	53.8%
2007	\$67,513,282	\$125,723,726	53.7%
2008	\$67,540,596	\$127,565,012	52.9%
2009	\$65,039,625	\$122,161,198	53.2%

Source: City Finance Department. City and state law do not permit the disclosure of tax information for specific taxpayers, and city policy restricts disclosures on fewer than the top 100 taxpayers. Collections from the largest City taxpayers are not concentrated in particular industries or products, but generally pertain to sales of a diverse variety of

Note: Information prior to 2006 is not available.

<b>PROPERTY TAXES</b>	2009			2000		
	City Assessed Valuation	Rank	Percentage of Total Assessed Value	City Assessed Valuation	Rank	Percentage of Total Assessed Value
Toyota Motor Manufacturing Alabama	\$65,314,780	1	2.6%			
Bell South Telecommunications Inc	\$27,364,900	2	1.1%	\$31,337,680	1	2.6%
ADTRAN Inc	\$20,928,620	3	0.8%	\$6,365,340	10	0.5%
Rudolfs Engine LLC	\$19,374,960	4	0.8%			
Cinram Inc	\$18,822,840	5	0.8%			
BASF Catalysts LLC	\$17,430,060	6	0.7%			
Redstone Federal Credit Union	\$9,174,380	7	0.4%			
Sanmina SCI Technology	\$9,083,020	8	0.4%			
Crestwood Healthcare LP	\$8,965,820	9	0.4%			
DDRTC Westside Centre LLC	\$8,833,080	10	0.4%			
Madison Square Assoc LTD				\$7,087,960	5	0.6%
Chrysler Corporation				\$21,912,160	2	1.8%
Dunlop Tire Corporation				\$12,747,080	3	1.1%
Intergraph Corporation				\$8,335,880	4	0.7%
SCI Systems Alabama Inc				\$7,087,480	6	0.6%
Teledyne Brown Engineering				\$6,393,940	8	0.5%
Parker Hannifin				\$6,988,640	7	0.6%
Engelhard Corp.				\$6,555,120	9	0.5%
<b>Top 10 subtotal</b>	<b>\$205,292,460</b>		<b>8.3%</b>	<b>\$114,811,280</b>		<b>9.5%</b>
Other taxpayers	\$2,264,508,540		91.7%	\$1,088,400,360		90.5%
<b>Totals</b>	<b>\$2,469,801,000</b>		<b>100.0%</b>	<b>\$1,203,211,640</b>		<b>100.0%</b>

Source: Madison County Tax Collectors office, for entire Madison County collections. Does not include Limestone County property located within the City limits as it is currently not a significant value.

**CITY OF HUNTSVILLE**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**

(amounts expressed in thousands, except per capita amounts)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Per Capita	Debt as % of Personal Income
	General Obligation Warrants	PBA Lease Revenue Bonds	Capital Leases	Sewer System General Obligation Warrants	Sewer System Revenue Warrants	Capital Leases			
2000	\$297,690	\$26,635	\$1,088	\$37,145	\$72,130	\$50	\$434,738	\$2,748	4.95%
2001	\$285,605	\$26,860	\$4,376	\$36,635	\$100,965	\$440	\$454,881	\$2,856	4.80%
2002	\$324,905	\$26,350	\$3,648	\$35,795	\$97,375	\$268	\$488,341	\$3,027	4.98%
2003	\$329,195	\$55,355	\$2,449	\$53,990	\$74,525	\$683	\$516,197	\$3,135	5.04%
2004	\$360,940	\$55,355	\$1,343	\$50,875	\$71,220	\$315	\$540,048	\$3,250	5.00%
2005	\$338,105	\$55,355	\$2,653	\$47,630	\$67,795	\$168	\$511,706	\$3,050	4.50%
2006	\$383,000	\$54,105	\$1,865	\$44,245	\$64,245	\$106	\$547,566	\$3,216	4.50%
2007	\$399,840	\$86,415	\$1,323	\$50,590	\$75,980	\$29	\$614,177	\$3,546	4.68%
2008	\$365,022	\$86,415	\$763	\$53,833	\$76,560	\$4	\$582,597	\$3,330	4.18%
2009	\$406,738	\$85,995	\$234	\$62,532	\$71,800	\$0	\$627,299	\$3,508	4.18%

Source: Comprehensive annual financial reports.

See the Schedule of Demographic and Economic Statistics for median family income and population data.

**CITY OF HUNTSVILLE**  
**RATIOS OF GENERAL OBLIGATION DEBT OUTSTANDING**  
(amounts expressed in thousands)

Fiscal Year	General Obligation Warrants	Sewer System General Obligation Warrants	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2000	\$297,690	\$37,145	\$334,835	2.8%	\$2,116
2001	\$285,605	\$36,635	\$322,240	2.6%	\$2,023
2002	\$324,905	\$35,795	\$360,700	2.8%	\$2,236
2003	\$329,195	\$53,990	\$383,185	2.9%	\$2,327
2004	\$360,940	\$50,875	\$411,815	2.7%	\$2,478
2005	\$338,105	\$47,630	\$385,735	2.4%	\$2,299
2006	\$383,000	\$44,245	\$427,245	2.4%	\$2,510
2007	\$399,840	\$50,590	\$450,430	2.4%	\$2,601
2008	\$365,022	\$53,833	\$418,855	2.2%	\$2,342
2009	\$406,738	\$62,532	\$469,270	not available	not available

Source: Comprehensive annual financial reports.

See the Schedule of Demographic and Economic Statistics for population data.

See the Schedule of Estimated Assessed and Estimated Actual Value of Taxable Property

**CITY OF HUNTSVILLE  
LEGAL DEBT MARGIN INFORMATION**

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Debt limit	493,960,200	467,499,200	441,452,000	395,160,000	378,561,600	323,475,600	317,181,400	315,126,800	300,275,000	263,520,000
Total net debt applicable to limit	248,535,628	236,541,190	269,238,480	259,259,048	216,556,124	232,446,050	232,599,459	252,462,445	212,002,509	219,977,500
Legal debt margin	245,424,572	230,958,010	172,213,520	135,900,952	162,005,476	91,029,550	84,581,941	62,664,355	88,272,491	43,542,500
Total net debt applicable to limit as a percentage of debt limit	50.3%	50.6%	61.0%	65.6%	57.2%	71.9%	73.3%	80.1%	70.6%	83.5%

**Legal Debt Margin Calculation  
for Current Fiscal Year**

Assessed value of real and personal property, October 1, 2008		<u>\$2,469,801,000</u>
Debt limit - 20 percent of total assessed value		493,960,200
All outstanding debt of the City	<u>627,065,000</u>	
Less those portions not chargeable to the debt limit:		
Lease revenue bonds of the Public Building Authority	85,995,000	
Debt payable from other revenues:		
General obligation sewer warrants	62,531,755	
Sewer revenue warrants	71,800,000	
Warrants issued for schools	150,197,940	
Allocated portion of 2005-A warrants used for storm water sewers	<u>2,236,788</u>	
Total not chargeable	<u>372,761,483</u>	
Total debt chargeable to debt limit	254,303,517	
Less assets available for debt service	<u>5,767,889</u>	<u>248,535,628</u>
Legal debt margin		<u><u>\$245,424,572</u></u>

**CITY OF HUNTSVILLE  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

Jurisdiction	Net Debt Outstanding (a)	Percentage Applicable to City of Huntsville (b)	Amount Applicable to City of Huntsville
City of Huntsville	\$400,970,356	100.0%	\$400,970,356
Madison County	2,745,000	61.8%	<u>\$1,695,333</u>
Total			<u><u>\$402,665,689</u></u>

(a) City of Huntsville net debt outstanding excludes general obligation warrants reported in the Proprietary Funds, revenue bonds of the Public Building Authority, and amount available for repayment in the Debt Service Fund.

(b) The Madison County percentage is the ratio of the assessed value of all taxable real and personal property, excluding motor vehicles, in the City (\$2,242,687,000) for 22 mills of city school district taxes, to the assessed value of all taxable real and personal property, excluding motor vehicles, in Madison County (\$3,631,247,960) for 5.5 mills of county school district taxes. All data as of the most recently released tax abstract (October 1, 2008).

**CITY OF HUNTSVILLE  
REVENUE WARRANT COVERAGE  
WATER POLLUTION CONTROL FUND WARRANTS (a)**

Fiscal Year	Gross Revenues (b)	Direct Operating Expenses (c)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2000	\$18,813,747	\$7,602,966	\$11,210,781	\$1,690,000	\$4,345,381	\$6,035,381	1.86
2001	\$19,613,315	\$7,635,456	\$11,977,859	\$3,465,000	\$5,303,597	\$8,768,597	1.37
2002	\$20,553,105	\$8,282,916	\$12,109,971	\$5,140,000	\$5,814,692	\$10,954,692	1.11
2003	\$19,649,405	\$8,197,715	\$11,451,690	\$4,470,000	\$4,663,020	\$9,133,020	1.25
2004	\$20,037,239	\$9,567,498	\$10,469,741	\$6,420,000	\$5,262,787	\$11,682,787	0.90
2005	\$24,057,652	\$10,854,430	\$13,203,222	\$6,670,000	\$5,025,777	\$11,695,777	1.13
2006	\$30,633,229	\$10,869,617	\$19,763,612	\$6,935,000	\$4,768,338	\$11,703,338	1.69
2007	\$33,893,278	\$12,813,710	\$21,079,568	\$7,790,000	\$4,852,048	\$12,642,048	1.67
2008	\$33,515,315	\$15,632,820	\$17,882,495	\$8,430,000	\$5,487,061	\$13,917,061	1.28
2009	\$32,975,967	\$12,788,101	\$20,187,866	\$9,193,100	\$5,493,372	\$14,686,472	1.37

(a) Debt service for general obligation warrants issued for sewer purposes, and revenue warrants.

(b) Gross revenues available for debt service include customer charges and interest income.

(c) Direct operating expenses excluding depreciation and amortization.

**CITY OF HUNTSVILLE  
DEMOGRAPHIC AND ECONOMIC STATISTICS**

Fiscal Year	Population (a)	Total Personal Income (b)	Per Capita Personal Income (b)	Unemployment Rate (c)
1999	158,216	\$8,777,398	\$25,848	2.8%
2000	159,294	\$9,476,692	\$27,566	3.2%
2001	161,315	\$9,796,788	\$28,166	4.0%
2002	164,655	\$10,237,351	\$29,002	4.0%
2003	166,163	\$10,791,373	\$30,129	4.4%
2004	167,787	\$11,363,017	\$31,318	3.4%
2005	170,251	\$12,174,073	\$32,949	2.8%
2006	173,189	\$13,114,483	\$34,689	2.7%
2007	174,938	\$13,951,201	\$36,084	4.5%
2008	178,819	\$15,010,000	\$37,938	7.6%

\* accurate data is not available.

(a) The data is based on the most recent Federal Census, as updated for annual average increases in households.

(b) The personal income amounts are for the Huntsville Metropolitan Statistical Area, which consists of Madison and Limestone counties. The population of the MSA is much higher than the City population figures above. The source of the data is the Bureau of Labor Statistics.

(c) The unemployment rate data is for Madison County. The source of the data is the LMI Division of the Alabama Department of Industrial Relations.

**CITY OF HUNTSVILLE  
PRINCIPAL EMPLOYERS**

Employers	Number of Employees	Percentage of Total Labor Force
US Army/Redstone Arsenal	16,317	8.0%
Huntsville Hospital System	5,126	2.5%
The Boeing Co	3,200	1.6%
CINRAM, INC	2,800	1.4%
NASA/Marshall Space Flight Center	2,555	1.3%
SAIC(Science Applications Internation Corp	2,120	1.0%
Sanmina-SCI Corp	1,971	1.0%
ADTRAN, INC	1,700	0.8%
Intergraph Corporation	1,350	0.7%
Verizon Wireless	1,300	0.6%
Total Employees of 10 Principal Employers	38,439	18.9%
Employees of Other Employers	164,440	81.1%
Total Civilian Labor Force	202,879	100.0%

Source:

Chamber of Commerce Huntsville/Madison County  
North Alabama Development Association  
Alabama Department of Industrial Relations

Note:

This employment data represents persons employed in Huntsville/Madison County in nonagricultural wage and salary occupations and does not include the local government employers.

**CITY OF HUNTSVILLE  
CITY GOVERNMENT EMPLOYEES BY FUNCTION**

Function	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>General Government</b>										
Administration	15	11	16	15	15	14	14	13	13	13
City Council	10	10	10	10	10	10	10	9	9	8
Clerk-Treasurer	18	18	18	20	21	21	21	21	21	21
Finance	31	31	28	28	31	32	32	29	25	26
Human Resources	13	13	11	11	10	10	10	12	11	11
I.T.S.	46	47	42	40	42	41	41	42	38	39
Legal	16	17	17	16	16	16	16	16	16	14
<b>Total</b>	<b>149</b>	<b>147</b>	<b>142</b>	<b>140</b>	<b>145</b>	<b>144</b>	<b>144</b>	<b>142</b>	<b>133</b>	<b>132</b>
<b>Public Safety</b>										
Animal Services	28	28	27	27	27	27	24	24	24	23
EMA	9	9	8	8	8	8	8	8	8	9
Fire and Rescue	377	354	343	340	340	342	340	340	340	335
Municipal Court	48	48	46	46	49	49	48	48	48	47
Police	613	615	603	596	591	585	649	643	648	635
<b>Total</b>	<b>1,075</b>	<b>1,054</b>	<b>1,027</b>	<b>1,017</b>	<b>1,015</b>	<b>1,011</b>	<b>1,069</b>	<b>1,063</b>	<b>1,068</b>	<b>1,049</b>
<b>Public Services</b>										
Cemetery	24	24	22	22	22	20	19	19	19	9
General Services	90	86	79	79	79	79	68	68	68	30
Projects Management	0	9	7	7	7	7	7	7	7	7
Fleet Management	35	34	33	33	33	33	33	33	33	33
Recreation Services	172	172	172	172	180	177	177	178	159	155
Landscape Management	229	225	255	253	251	218	214	214	214	90
Parking	55	55	55	55	55	55	55	55	55	52
Public Transportation	68	68	43	43	41	40	40	40	40	42
Public Works	268	272	287	284	273	281	303	302	281	324
Water Pollution Control	123	120	115	113	108	111	107	107	107	101
<b>Total</b>	<b>1,064</b>	<b>1,065</b>	<b>1,068</b>	<b>1,061</b>	<b>1,049</b>	<b>1,021</b>	<b>1,023</b>	<b>1,023</b>	<b>983</b>	<b>843</b>
<b>Urban Development</b>										
Community Development	40	40	42	42	42	42	42	42	42	42
Engineering	48	49	49	70	69	66	66	72	71	49
Inspection	28	28	30	28	28	24	24	24	24	22
Natural Resources	7	7	7	7	7	7	7	7	7	8
Planning	43	43	39	36	33	27	27	21	21	20
Traffic Engineering	34	31	29	0	0	0	0	0	0	0
<b>Total</b>	<b>200</b>	<b>198</b>	<b>196</b>	<b>183</b>	<b>179</b>	<b>166</b>	<b>166</b>	<b>166</b>	<b>165</b>	<b>141</b>
<b>Total for all departments</b>	<b>2,488</b>	<b>2,464</b>	<b>2,433</b>	<b>2,401</b>	<b>2,388</b>	<b>2,342</b>	<b>2,402</b>	<b>2,394</b>	<b>2,349</b>	<b>2,165</b>

Source: City of Huntsville Annual Budget

**CITY OF HUNTSVILLE  
OPERATING INDICATORS AND CAPITAL ASSET STATISTICS BY FUNCTION**

Function	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Public Safety</b>										
<b>Fire and Rescue</b>										
Number of fire stations	16	16	16	16	16	16	16	16	16	16
Fire insurance rating	4/9	3/9	3	3	3	3	3	3	3	3
Number of calls answered	20,689	21,442	23,472	22,675	6,078	5,555	5,358	5,450	*	*
Inspections	21,000	21,500	18,000	15,600	13,800	14,400	12,600	11,400	10,800	*
<b>Police</b>										
Number of police stations	4	4	4	4	4	4	4	4	1	1
Physical arrests	14,179	13,625	14,020	13,148	11,653	11,317	9,539	9,939	*	*
Parking violations	13,586	16,587	15,392	9,631	8,343	9,356	8,390	*	*	*
Traffic violations	42,173	37,932	31,554	37,792	24,860	24,110	23,525	*	*	*
<b>Public Services</b>										
<b>Recreation Services</b>										
Admissions to Aquatic Facilities	138,109	157,842	139,990	124,676	126,149	144,062	144,124	139,034	*	*
Participants in Community Center programs	13,501	10,290	16,872	18,830	25,261	18,683	28,697	22,366	*	*
Participants in Youth Athletic programs	6,771	6,709	7,246	7,829	8,181	8,807	8,920	9,146	*	*
Participants in Adult Athletic programs	6,282	6,684	4,678	4,357	4,333	4,433	4,312	4,208	*	*
Number of parks	63	63	63	60	59	55	52	52	52	52
Baseball fields	57	57	57	57	50	50	50	50	50	50
Soccer fields	50	50	50	50	107	107	103	103	103	103
Football fields	4	4	4	4	7	7	7	7	7	7
Golf courses	1	1	1	1	2	2	2	2	2	2
Tennis courts	66	65	65	59	61	53	45	45	45	45
Recreation centers	11	11	11	11	11	11	11	11	11	11
Enclosed swimming pools	3	3	3	3	3	3	3	3	3	3
<b>Public Works</b>										
Streets (lane miles)	2,960	2,684	2,684	2,654	2,654	2,641	2,050	2,050	2,050	1,377
Street lights	21,720	20,631	20,631	19,762	19,762	19,638	17,627	17,627	17,627	17,419
Signalized street intersections	310	300	300	288	288	285	275	275	275	270
Controlled intersections	11,000	10,850	10,850	10,606	10,606	10,580	10,300	10,300	10,300	10,000
Major storm sewers (miles)	892	892	892	785	785	692	114	114	114	111
Potholes repaired	13,264	5,528	8,275	9,925	12,529	15,060	22,249	24,374	*	*
<b>Sanitation</b>										
Refuse collected (tons/day)	232	229	227	222	216	214	*	*	*	*
Trash collected (tons/day)	171	167	158	175	214	217	*	*	*	*
<b>Water Pollution Control</b>										
Avg daily sewage treatment(M gallon/day)	27.10	22.71	21.92	23.57	26.73	29.98	29.87	33.12	*	*
Sanitary sewers (miles)	1,260	1,260	1,260	1,200	1,200	1,150	1,050	1,050	1,050	950
<b>Utilities</b>										
New connections	191	228	359	357	308	203	224	256	*	*
Water main breaks	45	93	55	73	94	77	78	71	*	*
Average daily consumption (000 gallons)	37,674	42,010	46,124	41,098	36,572	35,617	33,870	35,339	*	*
Water meters in use	84,882	83,653	77,504	77,504	77,504	76,446	76,968	76,968	76,968	69,642

Sources:  
Various city departments

Notes:  
\* data is not available  
In 2005 an EMS response program was started in the Fire Department